Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

NNK GROUP LIMITED
年年卡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 48.8% to approximately RMB83.3 million, as compared with approximately RMB162.6 million in the previous year.
- Gross profit decreased by approximately 47.1% to approximately RMB43.4 million, as compared with approximately RMB82.1 million in the previous year.
- Loss attributable to owners of the Company was approximately RMB19.0 million, as compared with profit of approximately RMB33.5 million in the previous year.
- Basic loss per Share was RMB0.05, as compared with RMB0.08 of basic earnings per Share in the previous year.
- The Board did not propose a final dividend for the year ended 31 December 2017 (2016: RMB0.024 per Share).

The board (the "**Board**") of directors (the "**Directors**") of NNK Group Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the **"Reporting Period"**), together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Revenue	4	**83,321**	162,564
Less: Tax surcharge		**(1,437)**	(2,571)
Cost of revenue		**(38,520)**	(77,850)
Gross profit		**43,364**	82,143
Other income and expenses	5	**(713)**	11,167
Distribution and selling expenses		**(15,775)**	(10,095)
Administrative expenses		**(27,195)**	(26,239)
Research and development expenses		**(13,017)**	(14,567)
Finance costs	6	**(6,393)**	(7,759)
(Loss) profit before tax	7	**(19,729)**	34,650
Income tax credit (expense)	8	**691**	(1,105)
(Loss) profit and total comprehensive (expense) income for the year		**(19,038)**	33,545
Total comprehensive (expense) income attributable to owners of the Company		**(19,038)**	33,545
(Loss) earnings per Share	10		
- Basic (RMB)		**(0.05)**	0.08
- Diluted (RMB)		**(0.05)**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**4,876**	7,309
Rental deposits		**1,188**	498
Deferred tax assets		**6,168**	5,568
		12,232	13,375
Current assets			
Inventories		**117,992**	157,172
Trade receivables	11	**58,312**	69,875
Prepayments, deposits and other receivables		**85,436**	47,498
Tax recoverable		**939**	819
Cash and cash equivalents		**144,821**	124,719
		407,500	400,083
Current liabilities			
Trade payables	12	**39,626**	36,911
Other payables		**42,348**	53,123
Bank borrowings		**124,000**	80,000
		205,974	170,034
Net current assets		**201,526**	230,049
Total assets less current liabilities		**213,758**	243,424

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Government grants	**227**	895
Deferred tax liabilities	**9,280**	9,280
	9,507	10,175
Net assets	**204,251**	233,249
Capital and reserves		
Share capital	**27,221**	27,221
Reserves	**177,030**	206,028
Total equity	**204,251**	233,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 June 2014 and its shares (the "**Share(s)**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate controlling shareholders are Mr. Huang Junmou, Mr. Yang Hua, Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. 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 5/F, Building F5, TCL International E City, No. 1001 Zhongshan Yuan Road, Nanshan District, Shenzhen, 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 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 to foreign investment in the PRC pursuant to the applicable PRC laws and regulations. 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 all of 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.

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 which has rights to variable returns from its involvement with Shenzhen NNK and has the ability to affect those returns through its power over Shenzhen NNK and therefore is considered to have control over Shenzhen NNK. Consequently, the Company regards Shenzhen NNK as an indirect subsidiary and consolidated the financial position and results of Shenzhen NNK in the consolidated financial statements of the Group during both years.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the note, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[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 9	Repayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[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] Effective for annual periods beginning on or after 1 January 2021

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 financial performance 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 contributing over 10% of the total revenue of the Group during both years.

5. OTHER INCOME AND EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Interest income		
- from structured products (note a)	**5,122**	1,412
- from bank deposits	**553**	698
Government grants	**668**	1,524
Government subsidy (note b)	**—**	4,658
Impairment loss recognised in respect of trade receivables	**(4,000)**	—
Net foreign exchange (losses) gains	**(2,618)**	2,833
Loss on disposals of property, plant and equipment	**(646)**	(24)
Others	**208**	66
	(713)	11,167

Notes:

(a) During the years ended 31 December 2017 and 2016, the Group entered into principal and return unprotected-structured products with banks in the PRC that were denominated in RMB and without fixed maturity period. Interest of the structured products varied depending on the performance and return of underlying investments managed by the banks. The structured products were designated as financial assets at fair value through profit or loss on initial recognition. All the structured products were purchased and redeemed during the years ended 31 December 2017 and 2016.

(b) During the year ended 31 December 2016, the relevant government authority granted one-off subsidy to the Group amounting to RMB2,080,000 and RMB2,578,000 in relation to certain finance costs paid to the banks and research and development expenses incurred in prior years, respectively, which were recognised in the profit or loss in the year in which they became receivable. No such one-off subsidy was granted to the Group by the relevant government authority for the year ended 31 December 2017.

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**6,393**	7,759

7. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
Staff costs (including Directors' emoluments)		
- Salaries and other benefits	**22,952**	21,576
- Retirement benefits scheme contributions	**2,892**	2,718
Total staff costs	**25,844**	24,294
Depreciation of property, plant and equipment	**4,060**	6,508
Auditor's remuneration		
- Audit services	**1,556**	1,572
- Non-audit services	**615**	636
Operating lease rentals	**2,062**	1,731

8. INCOME TAX (CREDIT) EXPENSE

	2017	2016
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Current	**—**	1,044
(Over) under provision in prior years	**(91)**	61
	(91)	1,105
Deferred tax	**(600)**	—
	(691)	1,105

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

Hong Kong

The applicable tax rate of the subsidiary in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax was made in the 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 applicable tax rate of PRC subsidiaries is 25% during the two years.

In September 2014, Shenzhen NNK, a PRC subsidiary, 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 years.

In January 2016, Daily Charge Technology (Shenzhen) Limited, a wholly foreign-owned enterprise of the Company, was accredited as a software enterprise by 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.

9. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Final — RMB0.024 (2016:Nil) per Share	**9,960**	—

The Directors did not recommend the declaration of final dividend for the year ended 31 December 2017.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per Share attributable to the owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
(Loss) earnings for the purpose of basic and diluted (loss) earnings per Share:		
- (loss) profit for the year attributable to the owners of the Company	**(19,038)**	33,545

	Number of share	
	2017	*2016*
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per Share	**415,000**	412,329
Effect of dilutive potential ordinary shares over-allotment option from global offering	**—**	259
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per Share	**415,000**	412,588

For the year ended 31 December 2016, the basic earnings per Share is assumed that the 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 had been effective on 1 January 2016.

No dilutive loss per Share is presented for the year ended 31 December 2017 as there was no potential ordinary share in issue during the year.

11. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**62,312**	69,875
Less: allowance of doubtful debts	**(4,000)**	—
	58,312	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 to 60 days granted by the Group. The Group did not hold any collateral over these balances.

Before accepting any new corporate customers, the management of the Group will base on the credit quality of the potential customers to define credit limits. Credit limits to customers are reviewed annually over these balances. Trade receivables of RMB58,216,000 (2016: RMB69,643,000) that are neither past due nor impaired have good credit quality with reference to the track record of these customers under internal assessment by the Group.

The following is an aged 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:

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**58,216**	69,213
31 to 60 days	**—**	430
Over 60 days	**96**	232
	58,312	69,875

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB96,000 (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 Period are likely to be collectable under internal assessment by the Group.

	2017	2016
	RMB'000	*RMB'000*
Movement in the allowance for doubtful debt		
1 January	**—**	—
Impairment losses recognised on receivables	**4,000**	—
31 December	**4,000**	—

12. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Amounts due to third parties	**39,626**	36,911

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 invoice date at the end of respective reporting periods:

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**5,790**	10,513
91 to 180 days	**2,960**	3,748
181 to 360 days	**30,876**	22,650
	39,626	36,911

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was 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.

During the Reporting Period, due to the intensified competition in mobile top-up service industry, the Group experienced decline in both mobile top-up requests through electronic banking systems and offline channels, and 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 143.5 million in 2017, representing a decrease of approximately 19.6% as compared with approximately 178.4 million in 2016. The gross transaction value with mobile users decreased by approximately 21.6% from approximately RMB15,348.7 million in 2016 to approximately RMB12,038.5 million in 2017. The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 1.0% for the year ended 31 December 2016 to approximately 0.7% for the year ended 31 December 2017. These translated into approximately 48.8% decline in the Group's revenue of approximately RMB83.3 million in 2017 when compared with approximately RMB162.6 million recorded in 2016.

In the face of such headwinds, the Group made the expansion of its user base and the maintenance of its leading position in mobile top-up service industry in the PRC a priority. During the Reporting Period, the Group continued to expand the network of banks and offline channel partners. As at 31 December 2017, the Group had cooperative relationships with 62 PRC banks, including five largest state-owned commercial banks and 10 of the 12 nation-wide joint stock commercial banks, as compared with 55 PRC banks as at 31 December 2016. The Group also collaborated with approximately 50,110 offline channel partners as at 31 December 2017, as compared with approximately 49,700 offline channel partners as at 31 December 2016.

Against the backdrop of increasing number of mobile users choosing e-commerce platforms as the preferred top-up channel, the Group actively sought cooperation opportunities with influential internet companies and leading e-commerce platforms, as well as their major distributors. Also, on the back of growing demand of data usage top-up service in the PRC, the Group continued to expand data usage top-up services. The gross transaction value for data usage top-up service through various channels including electronic banking systems of PRC banks, offline channels and other channels increased by approximately 6.0% from approximately RMB14.9 million in 2016 to approximately RMB15.8 million in 2017. The Group believes that these efforts will help to nurture a new revenue growth point for the Group in the future.

Due to the reduction of mobile top-up requests through the e-banking system and offline channels and the decrease of the average discount rate provided by the PRC telecom operators and their distributors, the loss attributable to owners of the Company for the year of 2017 is approximately RMB19.0 million, as compared to profit of approximately RMB33.5 million in 2016.

Outlook

The Group's mobile top-up service business in the PRC will continue to face challenges in 2018, with the growing popularity of the customers using e-commerce platforms for mobile top-up, and the continuing reduction of discounts offered by the operators and their major distributors. Despite of these, the Group remains as leading service provider in the mobile top-up industry through electronic banking systems, and possesses well-established cooperation networks with the PRC banks and suppliers cultivated during its close working relationships with them in the past decade; a reliable, secure and scalable proprietary operating platform; and devoted and experienced sales and customer service teams. The Group believes, by deploying the above competitive strengths, it can overcome the upcoming challenges in the future.

The Group considers the increase in transaction volume and lowering of cost and expenses as important goals in 2018. The Group is working with PRC banks by expanding its service offering to end customers through online banking systems. Apart from the mobile top-up services to mobile users through the online banking systems, the Group is expanding its cooperation with certain major PRC banks by supplying mobile and data usage top-up for promotion activities of these banks on their websites and mobile applications. The Group will also continue deepening the cooperation relationship with existing partners and actively seek further cooperation with internet companies and e-commerce platforms to capture the growth in these top-up channels. Furthermore, the Group will continue to source from its suppliers' network for mobile top-up credits with both price and quality competitiveness, and optimise current operational procedures to improve the working efficiency.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB83.3 million, representing a decrease of approximately 48.8% as compared with approximately RMB162.6 million for the year ended 31 December 2016. The decrease of revenue was primarily due to the decrease in mobile top-up requests through electronic banking systems and offline channels, 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 21.6% to approximately RMB12,038.5 million for the year ended 31 December 2017 from approximately RMB15,348.7 million for the year ended 31 December 2016. The decrease was mainly due to the decline in mobile top-up requests through electronic banking systems and offline channels as an increasing number of mobile users chose to top-up via e-commerce platforms such as WeChat and Taobao. The gross transaction value via electronic banking systems decreased by approximately 30.1% to approximately RMB6,395.9 million for the year ended 31 December 2017 from approximately RMB9,145.0 million for the year ended 31 December 2016. The gross transaction value through offline channels decreased by approximately 65.3% to approximately RMB571.2 million for the year ended 31 December 2017 from approximately RMB1,644.4 million for the year ended 31 December 2016. However, the gross transaction value through other channels including third-party online platforms, the Group's own websites and WeChat public account increased by approximately 11.2% to approximately RMB5,071.4 million for the year ended 31 December 2017 from approximately RMB4,559.2 million for the year ended 31 December 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 1.0% for the year ended 31 December 2016 to approximately 0.7% for the year ended 31 December 2017. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 21.3% for the year ended 31 December 2017 as compared to the year ended 31 December 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 50.4% to approximately RMB38.5 million for the year ended 31 December 2017 from approximately RMB77.9 million for the year ended 31 December 2016, primarily due to the decrease in the gross transaction value with mobile users.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 47.1% to approximately RMB43.4 million for the year ended 31 December 2017 from approximately RMB82.1 million for the year ended 31 December 2016.

The Group's overall gross margin slightly increased to approximately 52.0% for the year ended 31 December 2017 from approximately 50.5% for the year ended 31 December 2016.

Other Income and Expenses

Other income and expenses decreased by approximately 106.3% to net expenses of approximately RMB0.7 million for the year ended 31 December 2017 from net income of approximately RMB11.2 million for the year ended 31 December 2016, primarily due to decrease in government grants and subsidy of approximately RMB 5.5 million, and an allowance for a doubtful debt of approximately RMB4.0 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 56.4% to approximately RMB15.8 million for the year ended 31 December 2017 from approximately RMB10.1 million for the year ended 31 December 2016, primarily attributable to the increase in sales promotion expenses.

Administration Expenses

Administration expenses increased by approximately 3.8% to approximately RMB 27.2 million for the year ended 31 December 2017 from approximately RMB26.2 million for the year ended 31 December 2016, primarily attributable to the increase in staff cost due to an increase in the number of employees.

Research and Development Expenses

Research and development expenses decreased by approximately 11.0% to approximately RMB13.0 million for the year ended 31 December 2017 from approximately RMB14.6 million for the year ended 31 December 2016, primarily due to the decrease in depreciation cost of computers and office equipment.

Finance Costs

Finance costs decreased by approximately 17.9% to approximately RMB6.4 million for the year ended 31 December 2017 from approximately RMB7.8 million for the year ended 31 December 2016, primarily due to the decrease in interest expenses on bank borrowings as a result of the decrease in average bank borrowings for the year ended 31 December 2017.

Income Tax Credit (Expense)

No provision for income tax expense was made for the year ended 31 December 2017 as no assessable tax profit was recorded for the year ended 31 December 2017.

(Loss) Profit for the Year attributable to Owners of the Company

As a result of cumulative effects of foregoing, loss for the year ended 31 December 2017 of approximately RMB19.0 million was incurred, as compared with the profit for the year ended 31 December 2016 of approximately RMB33.5 million.

Liquidity, Financial Resources and Capital Structure

The Group's working capital was funded by cash from operating activities, bank loans and proceeds from global offering. Certain financial data are summarized as follows:

	As at 31 December	
	2017	*2016*
	RMB'000	*RMB'000*
Cash and cash equivalents	**144,821**	124,719
Net current assets	**201,526**	230,049
Net cash (used in) from operating activities	**(8,329)**	155,788
Net cash from (used in) financing activities	**27,647**	(197,664)

As at 31 December 2017, cash and cash equivalents of the Group was approximately RMB144.8 million, as compared with approximately RMB124.7 million as at 31 December 2016. The Group reported net current assets of approximately RMB 201.5 million as at 31 December 2017, as compared with approximately RMB 230.0 million as at 31 December 2016. The Group's current ratio was approximately 1.98 as at 31 December 2017, as compared with approximately 2.35 as at 31 December 2016.

For the year ended 31 December 2017, net cash used in operating activities was approximately RMB8.3 million, as compared with net cash from operating activities of approximately RMB155.8 million for the year ended 31 December 2016. For the year ended 31 December 2017, net cash from financing activities was approximately RMB27.6 million, as compared with net cash used in financing activities of approximately RMB197.7 million for the year ended 31 December 2016.

The bank borrowings of the Group increased by approximately 55.0% to approximately RMB124.0 million as at 31 December 2017 from approximately RMB 80.0 million as at 31 December 2016. As at 31 December 2017, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rates ranging from 5.00% to 5.44% (31 December 2016: 4.35% to 4.79%) per annum and were repayable within one year.

As at 31 December 2017, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group increased to approximately 0.61 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.

Capital Expenditures

For the year ended 31 December 2017, the Group had capital expenditure of approximately RMB2.4 million, as compared with approximately RMB2.4 million for the year ended 31 December 2016. The above expenditure was mainly related to the leasehold improvement for the headquarter and purchase of computers and office equipment.

Significant Investment

As at 31 December 2017, the Group did not have any significant investment.

Capital Commitments and Operating Lease Commitments

As at 31 December 2017, the Group did not have any material capital commitments. As at 31 December 2017, the Group’s operating lease commitments amounted to approximately RMB10.9 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 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 2017 and 2016, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities, guarantees or any litigation.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2017.

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 annual general meeting of the Company ("**AGM**") will be held on Thursday, 7 June 2018. 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 Monday, 4 June 2018 to Thursday, 7 June 2018, 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 Friday, 1 June 2018.

DIVIDEND

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2017.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group had 156 (31 December 2016: 146) full-time employees. Total staff cost (including Directors' remuneration) was approximately RMB25.8 million for the year ended 31 December 2017, as compared with approximately RMB24.3 million for the year ended 31 December 2016. 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 (the **"Listing Date"**) 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. During the period from the Listing Date to 31 December 2017, approximately HK$5.2 million of the net proceeds from the listing were utilised for general operation expense, approximately HK$2.2 million of the net proceeds from the listing were utilised for software and research and development activities, and approximately HK$10.4 million of the net proceeds from the listing were utilised for enhancing the Group's brand's recognition by means of expanding its PRC bank coverage.

Such 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 unutilised portion of the net proceeds were deposited in reputable banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

There was no other significant event that might affect the Group since 31 December 2017.

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

During the year ended 31 December 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 throughout the year ended 31 December 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 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 throughout the year ended 31 December 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 an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules. 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. Zhao Jinlin, Mr. Qian Haomin and Mr. Lin Zhangxi. Ms. Zhao Jinlin is the chairwoman of the Audit Committee.

The Audit Committee, together with the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, have reviewed the annual results of the Group for the year ended 31 December 2017 and agreed to the accounting principle and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2017 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which 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 will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nnk.com.hk). The 2017 annual report 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, 23 March 2018

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.