NNK Group Limited
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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018, together with the comparative figures for the corresponding period in 2017. 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 2018

		Six months ended 30 June	
	NOTES	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	4	**26,428**	50,781
Less: Tax surcharge		**(21)**	(985)
Cost of revenue		**(17,878)**	(24,401)
Gross profit		**8,529**	25,395
Other income and expenses		**4,875**	1,806
Distribution and selling expenses		**(5,831)**	(2,794)
Administrative expenses		**(13,687)**	(11,293)
Research and development expenses		**(4,688)**	(5,824)
Finance costs	5	**(2,095)**	(4,050)
(Loss) profit before tax	6	**(12,897)**	3,240
Income tax expense	7	**—**	(258)
(Loss) profit and total comprehensive (expense) income for the period		**(12,897)**	2,982
Total comprehensive (expense) income attributable to owners of the Company		**(12,897)**	2,982
(Loss) earnings per share	9		
– Basic (RMB)		**(0.03)**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	**As at 30 June 2018**	As at 31 December 2017
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Non-current assets			
Property, plant and equipment	10	**3,928**	4,876
Rental deposits		**737**	1,188
Deferred tax assets	11	**6,168**	6,168
		10,833	12,232
Current assets			
Inventories		**79,108**	117,992
Trade receivables	12	**69,218**	58,312
Prepayments, deposits and other receivables		**35,588**	85,436
Tax recoverable		**939**	939
Cash and cash equivalents		**155,229**	144,821
		340,082	407,500
Current liabilities			
Trade payables	13	**43,471**	39,626
Other payables		**26,899**	42,348
Bank borrowings	14	**80,000**	124,000
		150,370	205,974
Net current assets		**189,712**	201,526
Total assets less current liabilities		**200,545**	213,758

	NOTES	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Government grants		**—**	227
Deferred tax liabilities	11	**9,280**	9,280
		9,280	9,507
Net assets		**191,265**	204,251
Capital and reserves			
Share capital	15	**27,221**	27,221
Reserves		**164,044**	177,030
Total equity		**191,265**	204,251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 People's 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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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.

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 condensed consolidated financial statements of the Group during both periods.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosure as described below:

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from mobile top-up service.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Principal versus agent

When another party is involved in providing goods or service to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from service income is recognised when the service is rendered, which is the point of time when the customer has the ability to direct the use of the service and obtain the benefits of the service.

Based on the current business model, there has no impact resulted from the adoption of HKFRS 15 on the amounts reported on the condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments and the related amendments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit has increased significantly.

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant adverse in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- on actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	NOTE	**Trade receivables** *RMB'000*	**Retained earnings** *RMB'000*
Closing balance at 31 December 2017 - HKAS 39		58,312	(82,143)
Effect arising from initial application of HKFRS 9:			
Remeasurement			
Impairment under ECL model	(a)	(89)	89
Opening balance at 1 January 2018		58,223	(82,054)

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which used a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

As at 1 January 2018, the additional credit loss allowance of RMB89,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and cash and cash equivalents, are measured as 12m ECL basis and there had been no significant increase in credit risk since initial recognition. No additional impairment loss was identified.

All loss allowances for financial assets including trade receivables, as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables *RMB'000*
At 31 December 2017 - HKAS 39	4,000
Amounts remeasured through opening retained earnings	89
At 1 January 2018	4,089

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 *RMB'000* (Audited)	HKFRS 9 *RMB'000*	1 January 2018 *RMB'000* (Restated)
Non-current Assets			
Others with no adjustments	12,232	—	12,232
Current Assets			
Trade receivables	58,312	(89)	58,223
Others with no adjustments	349,188	—	349,188
	407,500	(89)	407,411
Current Liabilities			
Others with no adjustments	205,974	—	205,974
Net Current Assets	201,526	(89)	201,437
Total Assets less Current Liabilities	213,758	(89)	213,669
Non-current Liabilities			
Others with no adjustments	9,507	—	9,507
Net assets	204,251	(89)	204,162
Capital and reserves			
Others with no adjustments	27,221	—	27,221
Reserves	177,030	(89)	176,941
	204,251	(89)	204,162

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 CODM reviews 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**2,095**	4,050

6. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,466**	1,434
Salaries and other benefits, excluding those of directors	**9,444**	8,189
Retirement benefits schemes contributions, excluding those of directors	**1,452**	1,310
Total staff costs	**12,362**	10,933
Depreciation of property, plant and equipment	**959**	2,197
Operating lease rentals	**1,517**	918
Interest income	**(2,565)**	(2,812)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	–	349
– (Over) under-provision in prior years	–	(91)
Income tax expense	–	258

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.

The 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 both interim periods ended 30 June 2017 and 2018.

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 was 15% for the six months ended 30 June 2017.

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.

8. DIVIDENDS

For the six months ended 30 June 2017, a dividend of RMB0.024 per share was declared and approved in respect of the year ended 31 December 2016. No dividends were paid, declared or proposed for the six months ended 30 June 2018.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
(Loss) earnings for the purpose of basic (loss) earnings per share:		
– (Loss) profit for the period attributable to the owners of the Company	**(12,897)**	2,982

	Number of shares Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**415,000**	415,000

No diluted (loss) earnings per share for the six months ended 30 June 2018 and 2017 was presented as there were no potential ordinary shares outstanding during both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2018, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB5,000 (unaudited) (six-month period ended 30 June 2017: RMB92,000 (unaudited)) for proceeds of RMB Nil (unaudited) (six-month period ended 30 June 2017: RMB39,000 (unaudited)), resulting in loss on disposal of RMB5,000 (unaudited) (six-month period ended 30 June 2017: RMB53,000 (unaudited)). In addition, the Group paid RMB16,000 (unaudited) (six-month period ended 30 June 2017: RMB82,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operation.

11. DEFERRED TAXATION

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Deferred tax assets	**(6,168)**	(6,168)
Deferred tax liabilities	**9,280**	9,280
	3,112	3,112

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

	Allowance of doubtful debts of Shenzhen NNK	**Deductible management fee expenses of Shenzhen NNK**	**Taxable management fee income of Daily Charge SZ**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 and 30 June 2018 (unaudited)	(600)	(5,568)	9,280	3,112

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 RMB135,243,000 (unaudited) (31 December 2017: RMB147,227,000). No deferred tax liability has been recognised in respect of these taxable temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences 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 2018 ***RMB'000*** ***(Unaudited)***	As at 31 December 2017 *RMB'000* *(Audited)*
0 - 30 days	**69,015**	58,216
31 - 60 days	**97**	—
Over 60 days	**106**	96
	69,218	58,312

Trade receivables mainly represent receivable from financial institutions 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 RMB106,000 (31 December 2017: RMB96,000) 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 2018, 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 2018 ***RMB'000*** ***(Unaudited)***	As at 31 December 2017 *RMB'000* *(Audited)*
0 to 90 days	**6,101**	5,790
91 to 180 days	**2,331**	2,960
181 to 360 days	**35,039**	30,876
	43,471	39,626

14. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB50,564,000 (unaudited) (31 December 2017: RMB429,482,000) and repaid bank borrowings amounting to RMB94,564,000 (unaudited) (31 December 2017: RMB385,482,000). The bank borrowings carry interest at variable market rates of 5.00% to 6.09% (31 December 2017: 5.00% to 5.44%) per annum and are repayable in one year.

15. SHARE CAPITAL

The share capital at 30 June 2018 and 31 December 2017 represented the share capital of the Company.

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 2017, 30 June 2017 (unaudited), 1 January 2018, and 30 June 2018 (unaudited) – Ordinary shares of US$0.01 each	2,000,000,000	415,000,000	4,150,000	27,221

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

During the six months ended 30 June 2018, due to the intensified competition in mobile top-up service industry, 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 48.0% to approximately RMB26.4 million for the six months ended 30 June 2018 from approximately RMB50.8 million for the six months ended 30 June 2017, 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 60.4 million for the six months ended 30 June 2018, representing a decrease of approximately 15.4% as compared with approximately 71.4 million for the six months ended 30 June 2017. The gross transaction value with mobile users (including mobile top-up and data usage top-up services) decreased by approximately 9.4% to approximately RMB5,337.6 million for the six months ended 30 June 2018 from approximately RMB5,888.5 million for the six months ended 30 June 2017.

To re-mediate the current market condition, the Group has made effort to expand its user base by expanding its bank network, deepening its cooperation with major PRC banks, internet companies and e-commerce platforms, and increase its services provided through its platform. As at 30 June 2018, the Group had cooperative relationships with 65 PRC banks, including five largest state-owned commercial banks and 10 of 12 nationwide joint stock commercial banks, as compared with 63 PRC banks as at 30 June 2017. Besides, the Group has expanded its cooperation with certain major PRC banks by supplying mobile and data usage top-up for promotion activities in these banks on their websites and mobile applications. The gross transaction value contributed from those promotion activities increased by approximately 117.9% to approximately RMB203.1 million for the six months ended 30 June 2018 from approximately RMB93.2 million for the six months ended 30 June 2017. Moreover, the gross transaction value through third party online platforms, the Group's own websites and WeChat public account increased by 21.6% to approximately RMB2,738.8 million for the six months ended 30 June 2018 from approximately RMB2,251.9 million for the six months ended 30 June 2017.

The management made great effort to optimise the Group's operation procedures. During the six months ended 30 June 2018, the Group has undergone restructuring, with an aim to improve the operating efficiency. Although the restructuring has caused the increase in staff cost due to compensation to employees affected, the management believes that the cost-saving effect will be reflected in long term.

Notwithstanding the above measures taken, due to the overall reduction of mobile-top up requests and the decrease in average discount rate provided by the PRC telecommunication operators and their distributors, the loss attributable to owners of the Company for the six months ended 30 June 2018 is approximately RMB12.9 million, as compared to profit of approximately RMB3.0 million for the six months ended 30 June 2017.

OUTLOOK

As mentioned in the 2017 annual report of the Company, with the continuing reduction of discounts offered by the operators and their major distributors, the mobile top-up service industry in the PRC will continue to face challenge. The Group has aware of these challenges and strives to improve the business performance by the above-mentioned measures. 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. 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 optimize the Group's operational procedure to reduce the operating cost and improve the efficiency of its workflow.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded a revenue of approximately RMB26.4 million, representing a decrease of approximately 48.0% as compared with approximately RMB50.8 million for the corresponding period in 2017. 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 9.4% to approximately RMB5,337.6 million for the six months ended 30 June 2018 from approximately RMB5,888.5 million for the six months ended 30 June 2017. The decrease was mainly due to the decline in mobile top-up requests through the Group's channel partners. As at 30 June 2018, the gross transaction value via electronic banking systems decreased by approximately 24.7% to approximately RMB2,472.3 million for the six months ended 30 June 2018 from approximately RMB3,282.1 million for the six months ended 30 June 2017. The gross transaction value through offline channels down by approximately 64.3% to approximately RMB126.5 million for the six months ended 30 June 2018 from approximately RMB354.5 million for the six months ended 30 June 2017. However, the gross transaction value through other channels including third-party online platforms, the Company's own websites and WeChat public account increased by approximately 21.6% to approximately RMB2,738.8 million for the six months ended 30 June 2018 from approximately RMB2,251.9 million for the six months ended 30 June 2017.

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

The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 0.8% for the six months ended 30 June 2017 to approximately 0.5% for the six months ended 30 June 2018. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 9.1% for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017, which was in line with the decrease in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 26.7% to approximately RMB17.9 million for the six months ended 30 June 2018 from approximately RMB24.4 million for the six months ended 30 June 2017, 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

As a result of foregoing, gross profit decreased by approximately 66.4% to approximately RMB8.5 million for the six months ended 30 June 2018 from approximately RMB25.4 million for the six months ended 30 June 2017.

The Group's overall gross profit margin decreased to approximately 32.3% for the six months ended 30 June 2018 from approximately 50.0% for the six months ended 30 June 2017, primarily attributable to the decline in average discount rate received from the PRC telecommunication operators and their distributors.

Other Income and Expenses

Other income and expenses increased by approximately 169.9% to approximately RMB4.9 million for the six months ended 30 June 2018 from approximately RMB1.8 million for the six months ended 30 June 2017. The increase in other income and expenses was primarily due to an one-off subsidy of approximately RMB1.9 million was granted to the Group for the six months ended 30 June 2018 in relation to research and development expenses incurred in prior years, and unrealised net exchange gain from bank balances denominated in Hong Kong dollars of approximately RMB0.2 million (for the six months ended 30 June 2017: unrealised net exchange loss of approximately RMB1.4 million) as a result of the depreciation of Renminbi against Hong Kong dollars for the six months ended 30 June 2018.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 108.7% to approximately RMB5.8 million for the six months ended 30 June 2018 from approximately RMB2.8 million for the six months ended 30 June 2017, primarily attributable to the increase in sales promotion expenses.

Administration Expenses

Administration expenses increased by approximately 21.2% to approximately RMB13.7 million for the six months ended 30 June 2018 from approximately RMB11.3 million for the six months ended 30 June 2017, primarily attributable to salary increment and one-off compensation paid to staff affected by restructuring in the first half of 2018.

Research and Development Expenses

Research and development expenses decreased by approximately 19.5% to approximately RMB4.7 million for the six months ended 30 June 2018 from approximately RMB5.8 million for the six months ended 30 June 2017, primarily due to the decrease in depreciation cost of computer and office equipment.

Finance Costs

Finance costs decreased by approximately 48.3% to approximately RMB2.1 million for the six months ended 30 June 2018 from approximately RMB4.1 million for the six months ended 30 June 2017, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2017.

Income Tax Expense

No provision for income tax expense was made for the six month ended 30 June 2018 as no assessable tax profit was recorded for the six months ended 30 June 2018.

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

As a result of the cumulative effects of foregoing, loss for the six months ended 30 June 2018 of approximately RMB12.9 million was incurred, as compared with the profit for the six months ended 30 June 2017 of approximately RMB3.0 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.

As at 30 June 2018, cash and cash equivalents of the Group was approximately RMB155.2 million, as compared with approximately RMB144.8 million as at 31 December 2017. The Group reported net current assets of approximately RMB189.7 million as at 30 June 2018, as compared with approximately RMB201.5 million as at 31 December 2017. The Group's current ratio was approximately 2.26 as at 30 June 2018, as compared with approximately 1.98 as at 31 December 2017.

The bank borrowings of the Group decreased by 35.5% to RMB80.0 million as at 30 June 2018 from RMB124.0 million as at 31 December 2017. As at 30 June 2018, the total bank borrowings being interest-bearing bank borrowings which are dominated in Renminbi, carried interest rates ranging from 5.00% to 6.09% (31 December 2017: 5.00% to 5.44%) 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 2018, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group decreased to approximately 0.42 from approximately 0.61 as at 31 December 2017, primarily attributable to the decrease in bank borrowings.

Capital Expenditures

For the six months ended 30 June 2018, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB0.1 million for the six months ended 30 June 2017. The expenditure was mainly related to the acquisition of property, plant and equipment for replacement in daily operations.

Significant Investment

As at 30 June 2018, the Group did not have any significant investment.

Capital Commitments and Operating Lease Commitments

As at 30 June 2018, the Group did not have any material capital commitments. As at 30 June 2018, the Group's operating lease commitments amounted to approximately RMB9.5 million, as compared with approximately RMB10.9 million as at 31 December 2017.

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 2018, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 30 June 2018, 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 2018.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2018, 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 2018 (for the six months ended 30 June 2017: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the Group had 101 full-time employees. Total staff cost (including Director's remuneration) was approximately RMB12.4 million for the six months ended 30 June 2018, as compared with approximately RMB10.9 million for the six months ended 30 June 2017. All employees have joined the state-managed retirement benefits schemes or Mandatory Provident Fund Scheme in Hong Kong which are classified as defined contribution plans. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has recruited and promoted individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has provided training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

EVENTS AFTER THE REPORTING PERIOD

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 2018.

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

During the six months ended 30 June 2018, 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 Model Code during the six months ended 30 June 2018.

CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders 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 2018. 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 2018 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 (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 30 June 2018, 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 was utilised for software and research and development activities, approximately HK$10.4 million of the net proceeds from the listing was utilised for enhancing the Group's branding by expanding its PRC bank coverage, approximately HK$1.6 million of the net proceeds from the listing was utilised for upgrading our network infrastructure including increasing the lease lines for bandwidth expansion to optimise our network operating environment, and approximately HK$5.3 million of the net proceeds from the listing was utilised for sourcing mobile top-up credits. 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 Prospectus. 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 2018 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 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.