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

(Stock Code: 3773)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Revenue	4	**60,280**	83,321
Less: Tax surcharge		**(203)**	(1,437)
Cost of revenue		**(35,759)**	(38,520)
Gross profit		**24,318**	43,364
Other income and expenses	6	**7,955**	(713)
Distribution and selling expenses		**(11,505)**	(15,775)
Administrative expenses		**(28,803)**	(27,195)
Research and development expenses		**(9,200)**	(13,017)
Finance costs	7	**(4,375)**	(6,393)
Loss before tax	8	**(21,610)**	(19,729)
Income tax (expense) credit	9	**(4,224)**	691
Loss and total comprehensive expense for the year		**(25,834)**	(19,038)
Total comprehensive expense attributable to owners of the Company		**(25,834)**	(19,038)
Loss per Share	11		
– Basic (RMB)		**(0.06)**	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**2,343**	4,876
Rental deposits		**427**	1,188
Deferred tax assets		**600**	6,168
		3,370	12,232
Current assets			
Inventories		**33,600**	117,992
Trade receivables	12	**118,309**	58,312
Prepayments, deposits and other receivables		**50,054**	85,436
Tax recoverable		**—**	939
Cash and cash equivalents		**115,822**	144,821
		317,785	407,500
Current liabilities			
Trade payables	13	**47,788**	39,626
Other payables		**47,103**	42,348
Bank borrowings		**40,000**	124,000
		134,891	205,974
Net current assets		**182,894**	201,526
Total assets less current liabilities		**186,264**	213,758

	NOTES	2018	2017
		RMB'000	RMB'000
Non-current liabilities			
Government grants		**—**	227
Deferred tax liabilities		**7,936**	9,280
		7,936	9,507
Net assets		**178,328**	204,251
Capital and reserves			
Share capital		**27,221**	27,221
Reserves		**151,107**	177,030
Total equity		**178,328**	204,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands 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 from 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 and 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. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

Except as described below, the application of the above new and 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.

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 year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

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 earnings 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. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from mobile top-up service.

Based on the current business model, there was no impact resulting from the adoption of HKFRS 15 on the amounts reported in the consolidated financial statements for the current year.

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

In the current year, 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 under ECL) 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, 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.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 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.

Except for those which had been determined as credit impaired under HKFRS 9 (which are assessed individually), trade receivables have been assessed individually with outstanding significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost mainly comprise of other receivables and cash and cash equivalents, are measured as 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

All loss allowances for financial assets 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 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 consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017	**HKFRS 9**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)		*(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

4. REVENUE

The Group provide the mobile top-up and mobile data usage top-up service by facilitating transactions between the PRC telecommunication companies and mobile subscribers, and accordingly recognises revenue derived from such services on net basis. Mobile top-up service income is received from the mobile subscribers, net of cost of mobile top-up credits sourced from the PRC telecommunication companies or vendors. Mobile top-up service income is recognised when the PRC telecommunication companies completed the mobile top-up service for the mobile subscribers, being at the point of time when the mobile subscribers have the ability to direct the use of the service and obtain the benefit of the service.

5. 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 makers (the "**CODMs**"), in order to allocate resources to the segments and to assess their performance.

The CODMs review the Group's financial performance as a whole, which is 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.

6. OTHER INCOME AND EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Interest income		
– from structured products (Note a)	**4,201**	5,122
– from bank deposits	**695**	553
Government grants	**227**	668
Government subsidy (Note b)	**1,901**	—
Impairment loss recognised in respect of trade receivables	**(52)**	(4,000)
Net foreign exchange gains (losses)	**1,230**	(2,618)
Loss on disposals of property, plant and equipment	**(253)**	(646)
Others	**6**	208
	7,955	(713)

Notes:

(a) During the years ended 31 December 2018 and 2017, 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 classified 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 2018 and 2017.

(b) During the year ended 31 December 2018, the relevant government authority granted one-off subsidy to the Group amounting to RMB1,901,000 in relation to research and development expenses incurred in prior years, which was 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 authority for the year ended 31 December 2017.

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank borrowings	**4,375**	6,393

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**20,687**	22,952
– Retirement benefits scheme contributions	**2,587**	2,892
Total staff costs	**23,274**	25,844
Depreciation of property, plant and equipment	**2,197**	4,060
Auditor's remuneration		
– Audit services	**1,629**	1,556
– Non-audit services	**596**	615
Operating lease rentals	**2,775**	2,062

9. INCOME TAX EXPENSE (CREDIT)

	2018	2017
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Over provision in prior years	**—**	(91)
	—	(91)
Deferred tax	**4,224**	(600)
	4,224	(691)

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

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 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 for both years.

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 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 was 15% for the year ended 31 December 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 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.

10. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year Nil (2017: 2016 Final –RMB0.024 per share):	**—**	9,960

No dividend were paid, declared or proposed for the year ended 31 December 2018.

11. LOSS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Loss for the purpose of basic and diluted loss per Share:		
– loss for the year attributable to owners of the Company	**(25,834)**	(19,038)

	Number of share	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per Share	**415,000**	415,000

No dilutive loss per Share is presented for both years as there were no potential ordinary share in issue.

12. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**122,450**	62,312
Less: allowance of credit losses	**(4,141)**	(4,000)
	118,309	58,312

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.

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

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**116,885**	58,216
31 to 60 days	**1,256**	—
Over 60 days	**168**	96
	118,309	58,312

Movement in the allowance for credit losses:

	RMB'000
At 1 January 2017	—
Impairment losses	4,000
At 31 December 2017	4,000
Impairment under ECL model through opening retained earnings	89
At 1 January 2018	4,089
Impairment losses	52
At 31 December 2018	4,141

13. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Amounts due to third parties	**47,788**	39,626

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:

	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**4,770**	5,790
91 to 180 days	**2,769**	2,960
181 to 360 days	**40,249**	30,876
	47,788	39,626

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 Reporting Period, due to the intensified competition in mobile top-up service industry, the Group experienced decline in both mobile top-up requests through its channel partners 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 135.2 million in 2018, representing a decrease of approximately 5.8% as compared with approximately 143.5 million in 2017. The gross transaction value with mobile users (including mobile top-up and data usage top-up services) decreased by approximately 11.9% to approximately RMB10,601.6 million for the year ended 31 December 2018 from approximately RMB12,038.5 million for the year ended 31 December 2017. The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 0.7% for the year ended 31 December 2017 to approximately 0.6% for the year ended 31 December 2018. These translated into approximately 27.7% decline in the Group's revenue of approximately RMB60.3 million in 2018 when compared with approximately RMB83.3 million recorded in 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 31 December 2018, the Group had cooperative relationships with 66 PRC banks, including five largest state-owned commercial banks and 10 of the 12 nation-wide joint stock commercial banks, as compared with 62 PRC banks as at 31 December 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 84.1% to approximately RMB322.4 million for the year ended 31 December 2018 from approximately RMB175.1 million for the year ended 31 December 2017. The Group will expand such service provided to major PRC banks in order to seek a breakthrough in the current business model.

The management made great effort to optimise the Group's operation procedures. During the year ended 31 December 2018, the Group had undergone restructuring, with an aim to improve the operating efficiency. The cost-saving was reflected in the reduction in the distribution and selling expenses and staff costs in 2018 when compared in 2017. The Group will continue to review and adjust its cost structure to ensure it to be in line with the future business development.

Notwithstanding the above measures taken, due to the overall reduction of mobile top-up requests received by the Group 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 year ended 31 December 2018 increased by 35.7% to approximately RMB25.8 million from approximately RMB19.0 million for the year ended 31 December 2017.

Outlook

As mentioned in the 2017 annual report and 2018 interim 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. In view of rapid development of mobile banking service in the PRC, major PRC banks are now putting more effort and investment in their mobile banking APPs, including enriching their contents by increasing services provided by the APPs, and providing gifts (such as discount coupons) in attracting the use of their APPs, in order to enhance the user volume and satisfaction. Being one of the major mobile top-up service provider through electronic banking channel with extensive experience and cooperation with major PRC banks over a decade, the Group is taking this opportunity to strive for deepening its cooperation with PRC banks and the operators, 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 optimise the Group's operational procedure to reduce the operating cost and improve the efficiency of its workflow.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB60.3 million, representing a decrease of approximately 27.7% as compared with approximately RMB83.3 million for the year ended 31 December 2017. 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 11.9% to approximately RMB10,601.6 million for the year ended 31 December 2018 from approximately RMB12,038.5 million for the year ended 31 December 2017. 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. The gross transaction value via electronic banking systems decreased by approximately 13.4% to approximately RMB5,539.8 million for the year ended 31 December 2018 from approximately RMB6,395.9 million for the year ended 31 December 2017. The gross transaction value through offline channels decreased by approximately 66.8% to approximately RMB189.6 million for the year ended 31 December 2018 from approximately RMB571.2 million for the year ended 31 December 2017. The gross transaction value through other channels including third-party online platforms, the Group's own websites and WeChat public account decreased by approximately 3.9% to approximately RMB4,872.2 million for the year ended 31 December 2018 from approximately RMB5,071.4 million for the year ended 31 December 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 0.7% for the year ended 31 December 2017 to approximately 0.6% for the year ended 31 December 2018. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 11.8% for the year ended 31 December 2018 as compared to the year ended 31 December 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 7.2% to approximately RMB35.8 million for the year ended 31 December 2018 from approximately RMB38.5 million for the year ended 31 December 2017, primarily due to decrease in commission fees charged by PRC banks for handling mobile top-up service requests via their electronic banking systems, as a result of the decrease in the gross transaction value with mobile users.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 43.9% to approximately RMB24.3 million for the year ended 31 December 2018 from approximately RMB43.4 million for the year ended 31 December 2017.

The Group's overall gross margin decreased to approximately 40.3% for the year ended 31 December 2018 from approximately 52.0% for the year ended 31 December 2017, mainly due to decrease in the average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels.

Other Income and Expenses

The Group recorded a net income of approximately RMB8.0 million for the year ended 31 December 2018 as compared with a net expenses of approximately RMB0.7 million for the year ended 31 December 2017. Such increase was primarily due to (i) an one-off subsidy of approximately RMB1.9 million was granted by the relevant government authority to the Group for the year ended 31 December 2018 in relation to research and development expenses incurred in prior years, (ii) unrealised net exchange gain from bank balances denominated in Hong Kong dollars of approximately RMB1.2 million (for the year ended 31 December 2017: unrealised net exchange loss of approximately HK$2.6 million) as a result of the depreciation of Renminbi against Hong Kong dollars for the year ended 31 December 2018, and (iii) the decrease in allowance for doubtful debt of approximately HK$3.9 million.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 27.1% to approximately RMB11.5 million for the year ended 31 December 2018 from approximately RMB15.8 million for the year ended 31 December 2017, primarily due to the decrease in sales promotion expenses and staff costs.

Administration Expenses

Administration expenses increased by approximately 5.9% to approximately RMB28.8 million for the year ended 31 December 2018 from approximately RMB27.2 million for the year ended 31 December 2017, primarily due to the increase in rental expenses and professional fees.

Research and Development Expenses

Research and development expenses decreased by approximately 29.3% to approximately RMB9.2 million for the year ended 31 December 2018 from approximately RMB13.0 million for the year ended 31 December 2017, primarily due to the decrease in depreciation cost of computers and office equipment.

Finance Costs

Finance costs decreased by approximately 31.6% to approximately RMB4.4 million for the year ended 31 December 2018 from approximately RMB6.4 million for the year ended 31 December 2017, 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 2018.

Income Tax Expense (Credit)

Pursuant to the VIE Arrangement, Shenzhen NNK would pay the management fee to Daily Charge SZ. For the year ended 31 December 2015, the tax rate of Daily Charge SZ was 25% while the tax rate of Shenzhen NNK was 15%. The payment of management fee would raise the additional tax burden to the Group as a whole. In this regard, the Group had recognised the related tax impact in deferred tax assets and liabilities.

The income tax expense of approximately RMB4.2 million for the year ended 31 December 2018 mainly represented the reversal of deferred tax asset by Shenzhen NNK in respect of deductible management fee expense, as the amount is not expected to be utilised prior to its expiration.

Loss for the Year attributable to Owners of the Company

As a result of cumulative effects of foregoing, loss for the year ended 31 December 2018 increased by 35.7% to approximately RMB25.8 million from approximately RMB19.0 million for the year ended 31 December 2017.

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	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**115,822**	144,821
Net current assets	**182,894**	201,526
Net cash from (used in) operating activities	**53,167**	(8,329)
Net cash (used in) from financing activities	**(88,375)**	27,647

As at 31 December 2018, cash and cash equivalents of the Group was approximately RMB115.8 million, as compared with approximately RMB144.8 million as at 31 December 2017. The Group reported net current assets of approximately RMB182.9 million as at 31 December 2018, as compared with approximately RMB 201.5 million as at 31 December 2017. The Group's current ratio was approximately 2.36 as at 31 December 2018, as compared with approximately 1.98 as at 31 December 2017.

For the year ended 31 December 2018, net cash from operating activities was approximately RMB53.2 million, as compared with net cash used in operating activities of approximately RMB8.3 million for the year ended 31 December 2017. For the year ended 31 December 2018, net cash used in financing activities was approximately RMB88.4 million, as compared with net cash from financing activities of approximately RMB27.6 million for the year ended 31 December 2017.

The bank borrowings of the Group decreased by approximately 67.7% to approximately RMB40 million as at 31 December 2018 from approximately RMB124.0 million as at 31 December 2017. As at 31 December 2018, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rates ranging from 5.35% to 6.09% (31 December 2017: 5.00% to 5.44%) per annum and were repayable within one year.

Trade receivables mainly represent receivables from PRC banks in relation to our mobile top-up service. Trade receivable increased from approximately RMB58.3 million for the year ended 31 December 2017 to approximately RMB118.3 million for the year ended 31 December 2018, primary reflecting the increase in proportion of transactions with longer credit period (about 30 to 60 days from transaction date) by the end of 2018 due to deepening cooperation with major PRC banks for their promotion activities.

Trade receivables turnover days (calculated by the average of the beginning and ending balances of trade receivables of the year, divided by the gross transactions value with mobile users for the year and multiplied by 365 days) for the year ended 31 December 2018 was 3 days (for the year ended 31 December 2017: 2 days). The Company will continue to monitor the credit risk by ongoing review the settlement of customers, and evaluate the credit limits annually accordingly to the track record and financial position of the counterparties.

As at 31 December 2018, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group decreased to approximately 0.22 from approximately 0.61 as at 31 December 2017, primarily attributable to the decrease in bank borrowings of the Group.

Capital Expenditures

For the year ended 31 December 2018, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB2.4 million for the year ended 31 December 2017. The above expenditure was mainly related to the purchase of computers and office equipment.

Significant Investment

As at 31 December 2018, the Group did not have any significant investment.

Capital Commitments and Operating Lease Commitments

As at 31 December 2018, the Group did not have any material capital commitments. As at 31 December 2018, the Group's operating lease commitments amounted to approximately RMB8.6 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 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 2018 and 2017, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 31 December 2018 and 2017, 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 2018.

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, 6 June 2019. 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, 3 June 2019 to Thursday, 6 June 2019, 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, 31 May 2019.

DIVIDEND

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2018.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had 93 (31 December 2017: 156) full-time employees. Total staff cost (including Directors' remuneration) was approximately RMB23.3 million for the year ended 31 December 2018, as compared with approximately RMB25.8 million for the year ended 31 December 2017. 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 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 were utilised for software and research and development activities, 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, approximately HK$3.7 million of the net proceeds from the listing was utilised for upgrading our network infrastructure including increasing the lease lines for bandwidth expansion to optimize 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 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 2018.

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

During the year ended 31 December 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 enquiries 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 2018.

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 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 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 2018 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 2018 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 2018. 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 2018 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, 28 March 2019

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.