NNK Group Limited
年年卡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019, together with the comparative figures for the corresponding period in 2018. The unaudited consolidated interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's auditor, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	4	**25,124**	26,428
Less: Tax surcharge		**(1)**	(21)
Cost of revenue		**(10,520)**	(17,878)
Gross profit		**14,603**	8,529
Other income and gains and losses		**3,468**	4,875
Distribution and selling expenses		**(4,361)**	(5,831)
Administrative expenses		**(9,164)**	(13,687)
Research and development expenses		**(3,341)**	(4,688)
Finance costs	5	**(854)**	(2,095)
Profit (loss) before tax	6	**351**	(12,897)
Income tax expense	7	**—**	—
Profit (loss) and total comprehensive income (expense) for the period		**351**	(12,897)
Total comprehensive income (expense) attributable to owners of the Company		**351**	(12,897)
Earnings (loss) per share	9		
– Basic (RMB)		**0.00**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	NOTES	**As at 30 June 2019 *RMB'000* *(Unaudited)***	As at 31 December 2018 RMB'000 *(Audited)*
Non-current assets			
Property, plant and equipment	10	**1,949**	2,343
Right-of-use assets	11	**3,063**	—
Rental deposits		**184**	427
Deferred tax assets	12	**600**	600
		5,796	3,370
Current assets			
Inventories		**27,725**	33,600
Trade receivables	13	**121,647**	118,309
Prepayments, deposits and other receivables		**28,288**	50,054
Cash and cash equivalents		**98,909**	115,822
		276,569	317,785
Current liabilities			
Trade payables	14	**35,398**	47,788
Other payables		**37,227**	47,103
Lease liabilities	11	**933**	—
Bank borrowings	15	**20,000**	40,000
		93,558	134,891
Net current assets		**183,011**	182,894
Total assets less current liabilities		**188,807**	186,264
Non-current liabilities			
Lease liabilities	11	**2,192**	—
Deferred tax liabilities	12	**7,936**	7,936
		10,128	7,936
Net assets		**178,679**	178,328
Capital and reserves			
Share capital	16	**27,221**	27,221
Reserves		**151,458**	151,107
Total equity		**178,679**	178,328

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 from 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 the 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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of various staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 January 2019.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b) (ii) transition.

The Group recognised lease liabilities of RMB3,500,000 and right-of-use assets of RMB3,500,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.90%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	8,624
Lease liabilities resulting from lease modifications of existing leases (Note)	(4,258)
Less: Recognition exemption - short term leases	(445)
	3,921
Lease liabilities discounted at relevant incremental borrowing rates	3,500
Analysed as:	
Current	910
Non-current	2,590
	3,500

Note: The Group modified the lease of an office premise by entering into a new lease contract which commences on the date of initial application of HKFRS 16, 1 January 2019, this new contract is accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	11	3,500
By class:		
Land and buildings		3,500

Impact on the condensed consolidated statement of financial position

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***RMB'000***
Non-current Asset			
Right-of-use assets	—	3,500	**3,500**
Current Liability			
Lease liabilities	—	910	**910**
Non-current Liability			
Lease liabilities	—	2,590	**2,590**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3.2 Significant changes in significant judgements and key sources of estimation uncertainty

Lease term and discount rate determination

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of service		
Mobile top-up service	**24,522**	25,744
Mobile data usage top-up service	**379**	566
Others	**223**	118
	25,124	26,428

The Group provides 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.

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**775**	2,095
Interest on lease liabilities	**79**	—
	854	2,095

6. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,489**	1,466
Salaries and other benefits, excluding those of directors	**5,961**	9,444
Retirement benefits schemes contributions, excluding those of directors	**939**	1,452
Total staff costs	**8,389**	12,362
Depreciation of property, plant and equipment	**441**	959
Depreciation of right-of-use assets	**437**	—
Operating lease rentals	**364**	1,517
Interest income	**(1,403)**	(2,565)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	—	—
– Hong Kong	—	—
Income tax expense	—	—

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 Hong Kong dollar (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%.

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 applicable tax rate of PRC subsidiaries is 25% for the six months ended 30 June 2018 and 2019.

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. Daily Charge SZ generated no assessable profit for the six months ended 30 June 2018 and 2019.

8. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2019 and 2018.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share:		
– Profit (loss) for the period attributable to owners of the Company	**351**	(12,897)

	Number of shares	
	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**415,000**	415,000

No diluted earnings (loss) per share for the six months ended 30 June 2019 and 2018 was presented as there were no potential ordinary shares in issue.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2019, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately RMB6,000 (unaudited) (six-month period ended 30 June 2018: RMB5,000 (unaudited)) for proceeds of approximately RMB8,000 (unaudited) (six-month period ended 30 June 2018: Nil (unaudited)), resulting in gain on disposal of property, plant and equipment of RMB2,000 (unaudited) (six-month period ended 30 June 2018: loss on disposal of RMB5,000 (unaudited)).

In addition, the Group paid approximately RMB53,000 (unaudited) (six-month period ended 30 June 2018: RMB16,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operation.

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group obtains rights to control the use of an office premise for a period of time through lease arrangements. Lease arrangements are negotiated with fixed lease terms of 4 years. On 1 January 2019, the date of initial application of HKFRS 16, the Group recognised right-of-use assets of RMB3,500,000 (unaudited) and lease liabilities of RMB3,500,000 (unaudited).

12. DEFERRED TAXATION

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

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* *(Audited)*
Deferred tax assets	**(600)**	(600)
Deferred tax liabilities	**7,936**	7,936
	7,336	7,336

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

	Allowance of doubtful debts of Shenzhen NNK *RMB'000*	**Taxable management fee income of Daily Charge SZ** *RMB'000*	**Total** *RMB'000*
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	(600)	7,936	7,336

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 RMB136,171,000 (unaudited) (31 December 2018: RMB133,416,000). 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.

13. TRADE RECEIVABLES

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

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* *(Audited)*
0 - 30 days	**117,578**	116,885
31 - 60 days	**2,353**	1,256
Over 60 days	**1,716**	168
	121,647	118,309

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 to 60 days granted by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,716,000 (unaudited) (31 December 2018: RMB168,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

The Group has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the date of service provided, at the end of each reporting period:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**3,332**	4,770
91 to 180 days	**1,041**	2,769
181 to 360 days	**31,025**	40,249
	35,398	47,788

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB20,000,000 (unaudited) (six-month period ended 30 June 2018: RMB50,564,000 (unaudited)) and repaid bank borrowings amounting to RMB40,000,000 (unaudited) (six-month period ended 30 June 2018: RMB94,564,000 (unaudited)). The bank borrowings carry interest at fixed market rate of 5.90% (31 December 2018: 5.35% to 6.09%) per annum and are repayable in one year.

16. SHARE CAPITAL

The share capital at 30 June 2019 and 31 December 2018 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 2018, 30 June 2018 (unaudited), 1 January 2019, and 30 June 2019 (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.

In recent years, the competition in mobile top-up service industry was fierce. The traditional mobile top-up service (including mobile top-up services through electronic banking systems of PRC banks and offline channels) was facing challenges from third-party online platforms such as WeChat and Alipay. It results in decreasing market share of the traditional top-up channel in the overall mobile top-up industry. The discount rates offered by the operators and their major distributors were declined. In addition, as various social media contains vocal and video call functions and the provision of much favourable service plans by the operators in response to the state policy, there was a decrease in mobile top-up amounts by users. The average top-up value of a top-up request for the six months ended 30 June 2019 was RMB64.9, which was lower than RMB66.1 for the six months ended 30 June 2018.

In response to the current market condition, the Group has adjusted its marketing strategy during the six months period ended 30 June 2019. In view of the downward trend in the market share of the PRC banks channel to the overall mobile top-up industry was slowing down, together with the increasing investment from the major PRC banks in promotion activities for their mobile banking services, the Group focused on expanding its bank network and deepening its cooperation with major PRC banks, and increase its services provided through its platform. As at 30 June 2019, the Group had cooperative relationships with 66 PRC banks, including five largest state-owned commercial banks and 10 of 12 nationwide joint stock commercial banks, as compared with 65 PRC banks as at 30 June 2018. The Group has cooperated 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. As at 30 June 2019, the gross transaction value via electronic banking systems increased by approximately 12.8% to approximately RMB2,787.8 million for the six months ended 30 June 2019 from approximately RMB2,472.3 million for the six months ended 30 June 2018. Moreover, due to the good coorperation with major PRC banks over the past periods, the Group has successfully reduced in commission fee rates charged by certain PRC banks, which can consolidate the long-term relationship with those banks and reduce cost of operating bank channel.

The Group has reviewed the inputs and outputs of existing channels in order to increase the Group's operating efficiency and increase gross margin. In view of the high operating costs, low transaction prices or high commission fees from certain channels, the Group streamlined downstream channels during this period and terminated cooperation with several third-party channel partners that charged higher commission rates and reduced the scale of offline channels. The number of mobile top-up requests processed by 007ka top-up platform was approximately 55.1 million for the six months ended 30 June 2019, representing a decrease of approximately 31.8% as compared with approximately 80.8 million for the six months ended 30 June 2018. The gross transaction value with mobile users (including mobile top-up and data usage top-up services) decreased by approximately 33.0% to approximately RMB3,577.9 million for the six months ended 30 June 2019 from approximately RMB5,337.6 million for the six months ended 30 June 2018. Although cutting lower-efficiency channels resulted in decreasing the gross transaction value with mobile users during the current interim period, the Group can benefit by reducing fixed costs such as interface maintenance fees charged by network providers and supporting staff cost. At the same time, the Group's resources can be diverted to channels and projects with higher margins by streamlining downstream channels to improve overall operational efficiency.

In view of increasing staff costs in recent years, the Group has established a research and development and customer service centre in Chengdu during the six months ended 30 June 2019 and diverted some fundamental research and development and customer service works to Chengdu. It resolved the problem of high staff costs of recruiting technicians in Shenzhen. The Group will expand the scale of Chengdu's research and development and customer service segments depending on the development of its business, with an aim of gradually reducing the cost of supporting services while maintaining the quality of the Group's services.

Through the above measures, the profit attributable to owners of the Company for the six months ended 30 June 2019 is approximately RMB0.4 million, as compared to loss attributable to owners of the Company for the six months ended 30 June 2018 of approximately RMB12.9 million.

OUTLOOK

With the fierce competition within the industry and the downward trend of discount rates offered by the operators and their major distributors from previous years, the mobile top-up service industry in the PRC is facing challenge. The Group believes that currently the mobile top-up service in the PRC is a necessity for people livelihood in the PRC. The Group believes that through continuous improvement of operation and internal management, the mobile top-up service industry in the PRC is still promising. 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 the operators, and expand the Group'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 2019, the Group recorded a revenue of approximately RMB25.1 million, representing a decrease of approximately 4.9% as compared with approximately RMB26.4 million for the corresponding period in 2018. The decrease was primarily due to the decrease in mobile top-up requests through the Group's channel partners as a result of the streamline of the downstream channel by the Group during the current interim period, and such effect was partly offset by the increase of average discount rate received from the PRC telecommunication operators and their distributors during the interim period.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users decreased by approximately 33.0% to approximately RMB3,577.9 million for the six months ended 30 June 2019 from approximately RMB5,337.6 million for the six months ended 30 June 2018. As at 30 June 2019, the gross transaction value via electronic banking systems increased by approximately 12.8% to approximately RMB2,787.8 million for the six months ended 30 June 2019 from approximately RMB2,472.3 million for the six months ended 30 June 2018. The gross transaction value through offline channels down by approximately 96.7% to approximately RMB4.2 million for the six months ended 30 June 2019 from approximately RMB126.5 million for the six months ended 30 June 2018. The gross transaction value through other channels including third-party online platforms, the Company's own websites and WeChat public account decreased by approximately 71.3% to approximately RMB785.9 million for the six months ended 30 June 2019 from approximately RMB2,738.8 million for the six months ended 30 June 2018. The decrease in the gross transaction values through offline channels and other channels was resulted from the streamline of the downstream channel during the six months ended 30 June 2019.

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 increased from approximately 0.5% for the six months ended 30 June 2018 to approximately 0.7% for the six months ended 30 June 2019. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 33.1% for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018, which was in line with the decrease in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 41.2% to approximately RMB10.5 million for the six months ended 30 June 2019 from approximately RMB17.9 million for the six months ended 30 June 2018, primarily due to (1) decrease in commission fees charged by PRC banks and other channels for handling mobile top-up service requests via their electronic systems, as a result of reduction of the rates for commission fees charged by certain PRC banks and the Group ceasing cooperation with certain third-party channel partners charging higher commission rates; and (2) decrease in interface maintenance fees charged by network providers to facilitate online mobile top-up services due to decrease in channel partners and transaction volume.

Gross Profit and Gross Profit Margin

As a result of the increase in discount rate and decrease in cost of revenue, gross profit increased by approximately 71.2% to approximately RMB14.6 million for the six months ended 30 June 2019 from approximately RMB8.5 million for the six months ended 30 June 2018.

The Group's overall gross profit margin increased to approximately 58.1% for the six months ended 30 June 2019 from approximately 32.3% for the six months ended 30 June 2018, primarily attributable to the increase in average discount rate received from the PRC telecommunication operators and their distributors and decrease in cost of revenue.

Other Income and Gains and Losses

Other income and gains and losses decreased by approximately 28.9% to approximately RMB3.5 million for the six months ended 30 June 2019 from approximately RMB4.9 million for the six months ended 30 June 2018. The decrease in other income and gains and losses was primarily due to an one-off subsidy of approximately RMB1.0 million (for the six months ended 30 June 2018: RMB1.9 million) was granted to the Group for the six months ended 30 June 2019 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 RMB0.1 million (for the six months ended 30 June 2018: RMB0.2 million) as a result of the depreciation of Renminbi against Hong Kong dollars for the six months ended 30 June 2019.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 25.2% to approximately RMB4.4 million for the six months ended 30 June 2019 from approximately RMB5.8 million for the six months ended 30 June 2018, primarily attributable to the decrease in staff cost and sales promotion expenses.

Administration Expenses

Administration expenses decreased by approximately 33.0% to approximately RMB9.2 million for the six months ended 30 June 2019 from approximately RMB13.7 million for the six months ended 30 June 2018, primarily attributable to decrease in staff cost and adoption of cost control measures according to the Group's continuous optimisation of its operating procedures.

Research and Development Expenses

Research and development expenses decreased by approximately 28.7% to approximately RMB3.3 million for the six months ended 30 June 2019 from approximately RMB4.7 million for the six months ended 30 June 2018, primarily due to the decrease in staff cost and depreciation cost of computer and office equipment.

Finance Costs

Finance costs decreased by approximately 59.2% to approximately RMB0.9 million for the six months ended 30 June 2019 from approximately RMB2.1 million for the six months ended 30 June 2018, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2018.

Income Tax Expense

No provision for income tax expense was made for the six month ended 30 June 2019 as the assessable tax profit from Shenzhen NNK was set-off by its accumulated tax loss brough forward from previous years.

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

As a result of the cumulative effects of foregoing, profit for the six months ended 30 June 2019 was approximately RMB0.4 million, as compared with the loss for the six months ended 30 June 2018 of approximately RMB12.9 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 2019, cash and cash equivalents of the Group was approximately RMB98.9 million, as compared with approximately RMB115.8 million as at 31 December 2018. The Group reported net current assets of approximately RMB183.0 million as at 30 June 2019, as compared with approximately RMB182.9 million as at 31 December 2018. The Group's current ratio was approximately 2.96 as at 30 June 2019, as compared with approximately 2.36 as at 31 December 2018.

The bank borrowings of the Group decreased by 50.0% to RMB20.0 million as at 30 June 2019 from RMB40.0 million as at 31 December 2018. As at 30 June 2019, the total bank borrowings being interest-bearing bank borrowings which are dominated in Renminbi, carried interest rates at 5.90% (31 December 2018: 5.35% to 6.09%) 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.

Trade Receivables

Trade receivables mainly represent receivables from PRC banks in relation to our mobile top-up service. Trade receivable increased from approximately RMB118.3 million for the year ended 31 December 2018 to approximately RMB121.6 million for the year ended 30 June 2019, primary reflecting the increase in proportion of transactions with longer credit period (about 30 to 60 days from transaction date) 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/period, divided by the gross transactions value with mobile users for the year ended 31 December 2018 and multiplied by 365 days or 183 days for the six months ended 30 June 2019) for the six months ended 30 June 2019 was 6 days (for the year ended 31 December 2018: 3 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.

Gearing Ratio

As at 30 June 2019, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group decreased to approximately 0.11 from approximately 0.22 as at 31 December 2018, primarily attributable to the decrease in bank borrowings.

Capital Expenditures

For the six months ended 30 June 2019, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB0.1 million for the six months ended 30 June 2018. The expenditure was mainly related to the acquisition of property, plant and equipment for replacement in daily operations.

Significant Investments

During the six months ended 30 June 2019, the Group did not have any significant investments.

Capital Commitments

As at 30 June 2019, the Group did not have any material capital commitments.

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 2019, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 30 June 2019, 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 2019.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2019, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

INTERIM DIVIDENDS

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the Group had 74 full-time employees. Total staff cost (including Director's remuneration) was approximately RMB8.4 million for the six months ended 30 June 2019, as compared with approximately RMB12.4 million for the six months ended 30 June 2018. All employees have joined the state-managed retirement benefits schemes in the PRC 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 were no other significant events that might affect the Group since the end of the six months ended 30 June 2019 and up to the date of this announcement.

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

During the six months ended 30 June 2019, 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 2019.

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 2019. 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 2019 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 7 January 2016 and the Company raised net proceeds (after the exercise of the over-allotment option and after deducting the underwriting fees, commissions and other expenses payable by the Company in connection with the global offering) of approximately HK$52.0 million. The 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 of the Company dated 24 December 2015, and details are as follows:

Intended use of proceeds from the global offering	Total net proceeds from the global offering *HK$'million*	Utilised as at 30 June 2019 *HK$'million*	Unutilised as at 30 June 2019 *HK$'million*	Expected timeframe for utilising the remaining unused net proceeds *(Note ii)*
Enhance the Group's brand recognition by channel partners	10.4	10.4	–	N/A
Upgrade hardware and network infrastructure	10.4	5.3	5.1	By 30 June 2021
Software and research and development activities	7.8	2.2	5.6	By 30 June 2021
Source mobile top-up credits	10.4	5.3	5.1	By 30 June 2021
Potential acquisitions of businesses and assets that are complementary to the Group's business and operations, or forming strategic alliance with value chain partners	7.8	–	7.8	– *(Note iii)*
General working capital	5.2	5.2	–	N/A
	52.0	28.4	23.6	

Notes:

(i) The figures in the table are approximate figures.

(ii) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(iii) As of the date of this announcement, the Group had not identified, committed to or entered into negotiations with any acquisition targets for the use of net proceeds from the global offering, hence the Group have no specific expected timeframe for fully utilising such proceeds.

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 2019 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, 29 August 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.