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NNK Group Limited
年年卡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*4*	**49,827**	60,280
Less: Tax surcharge		**(53)**	(203)
Cost of revenue		**(20,129)**	(35,759)
Gross profit		**29,645**	24,318
Other income and expenses	*5*	**6,796**	7,955
Distribution and selling expenses		**(6,795)**	(11,505)
Administrative expenses		**(20,772)**	(28,803)
Research and development expenses		**(6,649)**	(9,200)
Finance costs	*6*	**(1,552)**	(4,375)
Profit (loss) before tax	*7*	**673**	(21,610)
Income tax expense	*8*	**(8)**	(4,224)
Profit (loss) and total comprehensive income (expense) for the year		**665**	(25,834)
Total comprehensive income (expense) attributable to owners of the Company		**665**	(25,834)
Earnings (loss) per Share	*10*		
– Basic (RMB cents)		**0.16**	(6.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,543**	2,343
Right-of-use assets		**2,950**	–
Rental deposits		**185**	427
Deferred tax assets		**600**	600
		5,278	3,370
Current assets			
Inventories		**22,008**	33,600
Trade receivables	*11*	**105,910**	118,309
Prepayments, deposits and other receivables		**29,527**	50,054
Cash and cash equivalents		**117,329**	115,822
		274,774	317,785
Current liabilities			
Trade payables	*12*	**25,999**	47,788
Other payables		**44,055**	47,103
Tax liabilities		**8**	–
Lease liabilities		**1,111**	–
Bank borrowings		**20,000**	40,000
		91,173	134,891
Net current assets		**183,601**	182,894
Total assets less current liabilities		**188,879**	186,264
Non-current liabilities			
Lease liabilities		**1,950**	–
Deferred tax liabilities		**7,936**	7,936
		9,886	7,936
Net assets		**178,993**	178,328
Capital and reserves			
Share capital		**27,221**	27,221
Reserves		**151,772**	151,107
Total equity		**178,993**	178,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands and its shares (the "**Share(s)**") 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 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 new and 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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 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 above 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 theses consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases and the related interpretations.

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.

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. Any difference at the date of initial application is recognised in the opening retained profits 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;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. 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.

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 existing contracts upon application of HKFRS 16.

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

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

The following adjustments were made to the amounts recognised in the 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	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	***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 twelve months ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Type of service		
Mobile top-up service	**49,163**	58,313
Mobile data usage top-up service	**559**	1,127
Others	**105**	840
	49,827	60,280

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.

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.

5. OTHER INCOME AND EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Interest income		
– from structured products (Note a)	**2,531**	4,201
– from bank deposits	**559**	695
Government grants	**–**	227
Government subsidy (Note b)	**992**	1,901
Reversal of (recognition of) impairment loss in respect of trade receivables	**29**	(52)
Net foreign exchange gains	**406**	1,230
Loss on disposals of property, plant and equipment	**(2)**	(253)
Income on additional credit for the input value added tax ("**VAT**") (Note c)	**2,162**	–
Others	**119**	6
	6,796	7,955

Notes:

(a) During the years ended 31 December 2019 and 2018, 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 2019 and 2018.

(b) During the year ended 31 December 2019 and 2018, the relevant government authority granted one-off subsidy to the Group amounting to RMB992,000 and RMB1,901,000, respectively, in relation to research and development expenses incurred in prior years. The government subsidy was recognised in the profit or loss in the year in which they became receivable.

(c) On 21 March 2019, the PRC tax authority has published 2019 Bulletin 39 with effect from 1 April 2019 to 31 December 2021 that additional 10% of input VAT would be granted to the qualifying general VAT payer to offset VAT payables.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**1,379**	4,375
Interest on lease liabilities	**173**	–
	1,552	4,375

7. PROFIT (LOSS) BEFORE TAX

	2019 *RMB'000*	2018 *RMB'000*
Profit (loss) before tax has been arrived at after charging:		
Directors' emoluments	**3,171**	3,180
Salaries and other benefits, excluding those of directors	**12,588**	17,661
Retirement benefit scheme contributions, excluding those of directors	**1,842**	2,433
Total staff costs	**17,601**	23,274
Depreciation of property, plant and equipment	**859**	2,197
Depreciation of right-of-use assets	**1,020**	–
Auditor's remuneration		
– Audit services	**1,652**	1,629
– Non-audit services	**563**	596
Short-term lease expenses	**543**	–
Operating lease rentals	**–**	2,775

8. INCOME TAX EXPENSE

	2019 *RMB'000*	2018 *RMB'000*
Current tax:		
– PRC Enterprise Income Tax	**8**	–
– Hong Kong	**–**	–
	8	–
Deferred tax	**–**	4,224
	8	4,224

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 taxation in Hong Kong has been made in the consolidated financial statements as no assessable profit was generated in Hong Kong for both years.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% during both years.

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. Daily Charge SZ generated no assessable profit for the years ended 31 December 2019 and 2018.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per Share:		
– Profit (loss) for the year attributable to owners of the Company	**665**	(25,834)

	Number of share	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per Share	**415,000**	415,000

No dilutive earnings (loss) per Share is presented for both years as there was no potential ordinary share in issue.

11. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**106,022**	122,450
Less: allowance of credit losses	**(112)**	(4,141)
	105,910	118,309

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. Due to deepening cooperation with major PRC banks for their promotion activities, the Group has granted credit period of 30 to 45 days to certain customers based on the invoice date. For the corporate customers, the credit period was about 30 to 60 days granted by the Group based on the invoice date. 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:

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**98,429**	116,885
31 to 60 days	**2,312**	1,256
Over 60 days	**5,169**	168
	105,910	118,309

Movement in the allowance for credit losses:

	RMB'000
At 1 January 2018	4,089
Changes due to financial instruments recognised as at 1 January 2018	
– Impairment losses reversed	(89)
New financial assets originated	141
At 31 December 2018	4,141
Changes due to financial instruments recognised as at 1 January 2019	
– Impairment losses reversed	(141)
– Written-off	(4,000)
New financial assets originated	112
At 31 December 2019	112

12. TRADE PAYABLES

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 date of service provided, at the end of respective reporting periods:

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**3,723**	4,770
91 to 180 days	**1,250**	2,769
181 to 360 days	**21,026**	40,249
	25,999	47,788

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. 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 year ended 31 December 2019 was RMB60.4, which was lower than RMB78.4 for the year ended 31 December 2018. However, through the measures taken as discussed in below paragraphs, the profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB0.7 million, as compared to loss attributable to owners of the Company for the year ended 31 December 2018 of approximately RMB25.8 million.

In response to the current market condition, the Group has adjusted its business strategy during the year ended 31 December 2019. In view of the increasing budget 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 31 December 2019, the Group had cooperative relationships with 66 (2018: 66) PRC banks, including five largest state-owned commercial banks and 10 of 12 nation-wide joint stock commercial banks. 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 31 December 2019, the gross transaction value via electronic banking systems increased by approximately 5.2% to approximately RMB5,825.2 million for the year ended 31 December 2019 from approximately RMB5,539.8 million for the year ended 31 December 2018. Moreover, due to the good cooperation with major PRC banks over the past periods, the Group has successfully reduced in commission fee rates charged by certain PRC banks, which can solidify 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 117.7 million for the year ended 31 December 2019, representing a decrease of approximately 12.9% as compared with approximately 135.2 million for the year ended 31 December 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 RMB7,107.2 million for the year ended 31 December 2019 from approximately RMB10,601.6 million for the year ended 31 December 2018. Although cutting lower-efficiency channels resulted in decreasing the gross transaction value with mobile users during the year, the Group has benefited 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 diverted some fundamental research and development and customer service works to Chengdu in 2019. It resolved the problem of high staff costs of recruiting technicians in Shenzhen. The Group will consider to 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.

Outlook

With the fierce competition within the industry and the slowing down of economic growth of the PRC, 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's livelihood in the PRC, the mobile top-up service industry in the PRC is still promising. In the beginning of 2020, the PRC government enacted draconian quarantine measures and strict travel restrictions in response to the outbreak of COVID-19, affecting various businesses and millions of citizens. The mobile top-up service provided by the Group remained stable since the Group performs its business activities mainly through on-line platform. As such, the COVID-19 has not resulted in material impact to the Group as at the date of this announcement. Depending on the development of COVID-19 situation in the PRC, further changes in economic conditions arising thereof may have impact on the business and financial results of the Group. Regardless, the Group will leverage 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 optimise its operational procedure to reduce the operating cost and improve the efficiency of its workflow so it can continue improve its performance.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB49.8 million, representing a decrease of approximately 17.3% as compared with approximately RMB60.3 million for the year ended 31 December 2018. The decrease of revenue 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 year, and such effect was partly offset by the increase of average discount rate received from the PRC telecommunication operators and their distributors during the year.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users decreased by approximately 33.0% to approximately RMB7,107.2 million for the year ended 31 December 2019 from approximately RMB10,601.6 million for the year ended 31 December 2018. The gross transaction value via electronic banking systems increased by approximately 5.2% to approximately RMB5,825.2 million for the year ended 31 December 2019 from approximately RMB5,539.8 million for the year ended 31 December 2018. The gross transaction value through offline channels and other channels including third-party online platforms, the Group's own websites and WeChat public account decreased by approximately 74.7% to approximately RMB1,282.0 million for the year ended 31 December 2019 from approximately RMB5,061.8 million for the year ended 31 December 2018. The decrease in the gross transaction values through offline channels and other channels was resulted from the streamline of the downstream channels during the year ended 31 December 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 0.6% for the year ended 31 December 2018 to approximately 0.7% for the year ended 31 December 2019. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 33.1% for the year ended 31 December 2019 as compared to the year ended 31 December 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 43.7% to approximately RMB20.1 million for the year ended 31 December 2019 from approximately RMB35.8 million for the year ended 31 December 2018, primarily due to (i) decrease in commission fees charged by PRC banks and other channels for handling mobile top-up service requests via their electronic banking systems, as a result of the reduction of the rates for commission fees charged by certain PRC banks and decrease in gross transaction value from certain third-party channel partners charging higher commission rates; and (ii) 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

Gross profit increased by approximately 21.9% to approximately RMB29.6 million for the year ended 31 December 2019 from approximately RMB24.3 million for the year ended 31 December 2018.

The Group's overall gross margin increased to approximately 59.5% for the year ended 31 December 2019 from approximately 40.3% for the year ended 31 December 2018, mainly due to increase in the average discount rate that the Company received from the PRC telecommunication operators and their distributors and decrease in cost of revenue.

Other Income and Expenses

Other income and expenses decreased by approximately 14.6% to approximately RMB6.8 million for the year ended 31 December 2019 from approximately RMB8.0 million for the year ended 31 December 2018. Such decrease was primarily due to (i) decrease in an one-off subsidy granted by the relevant government authority to the Group in relation to research and development expenses incurred in prior years of approximately RMB0.9 million, and (ii) decrease in unrealised net exchange gain from bank balances denominated in Hong Kong dollars of approximately RMB0.8 million as a result of the depreciation of Renminbi against Hong Kong dollars.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 40.9% to approximately RMB6.8 million for the year ended 31 December 2019 from approximately RMB11.5 million for the year ended 31 December 2018, primarily due to the decrease in sales promotion expenses and staff costs.

Administration Expenses

Administration expenses decreased by approximately 27.9% to approximately RMB20.8 million for the year ended 31 December 2019 from approximately RMB28.8 million for the year ended 31 December 2018, primarily due to decrease in staff cost and professional fees, 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 27.7% to approximately RMB6.6 million for the year ended 31 December 2019 from approximately RMB9.2 million for the year ended 31 December 2018, primarily due to the decrease in depreciation cost of computers and office equipment and staff cost.

Finance Costs

Finance costs decreased by approximately 64.5% to approximately RMB1.6 million for the year ended 31 December 2019 from approximately RMB4.4 million for the year ended 31 December 2018, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2018.

Income Tax Expense

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.

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

As a result of cumulative effects of foregoing, profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB0.7 million, as compared to loss attributable to owners of the Company for the year ended 31 December 2018 of approximately RMB25.8 million.

Liquidity, Financial Resources and Capital Structure

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**117,329**	115,822
Net current assets	**183,601**	182,894
Net cash from operating activities	**20,497**	53,167
Net cash used in financing activities	**(22,461)**	(88,375)

As at 31 December 2019, cash and cash equivalents of the Group was approximately RMB117.3 million, as compared with approximately RMB115.8 million as at 31 December 2018. The Group reported net current assets of approximately RMB183.6 million as at 31 December 2019, as compared with approximately RMB182.9 million as at 31 December 2018. The Group's current ratio was approximately 3.01 as at 31 December 2019, as compared with approximately 2.36 as at 31 December 2018.

For the year ended 31 December 2019, net cash from operating activities was approximately RMB20.5 million, as compared with net cash from operating activities of approximately RMB53.2 million for the year ended 31 December 2018. For the year ended 31 December 2019, net cash used in financing activities was approximately RMB22.5 million, as compared with net cash used in financing activities of approximately RMB88.4 million for the year ended 31 December 2018.

The bank borrowings of the Group decreased by approximately 50.0% to approximately RMB20.0 million as at 31 December 2019 from approximately RMB40.0 million as at 31 December 2018. As at 31 December 2019, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rate at 5.90% (31 December 2018: 5.35% to 6.09%) 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 decreased from approximately RMB118.3 million for the year ended 31 December 2018 to approximately RMB105.9 million for the year ended 31 December 2019, primary reflecting the prompt settlement of receivables with longer credit period (about 30 to 60 days from transaction date) by the end of 2019.

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 2019 was 6 days (for the year ended 31 December 2018: 3 days). The increase in trade receivable turnover days was mainly caused by the increase in proportion of transaction with major PRC banks for their promotion activities, which are with longer credit periods. 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 2019, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group decreased to approximately 0.11 from approximately 0.22 as at 31 December 2018, primarily attributable to the decrease in bank borrowings of the Group.

Capital Expenditures

For the year ended 31 December 2019, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB0.1 million for the year ended 31 December 2018. The above expenditure was mainly related to leasehold improvement and the purchase of computers and office equipment.

Significant Investment

As at 31 December 2019, the Group did not have any significant investment.

Capital Commitments

As at 31 December 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 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 2019 and 2018, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 31 December 2019 and 2018, 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 2019.

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 Wednesday, 24 June 2020. 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 Friday, 19 June 2020 to Wednesday, 24 June 2020, 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 Thursday, 18 June 2020.

DIVIDEND

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2019.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had 72 (31 December 2018: 93) full-time employees. Total staff cost (including Directors' remuneration) was approximately RMB17.6 million for the year ended 31 December 2019, as compared with approximately RMB23.3 million for the year ended 31 December 2018. 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.

The 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**"), and details are as follows:

Intended use of proceeds from the global offering	**Total net proceeds from the global offering** *HK$'million*	**Utilised as at 31 December 2019** *HK$'million*	**Unutilised as at 31 December 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	6.9	3.5	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	7.6	2.8	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	32.3	19.7	

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 were deposited in reputable banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

In the beginning of 2020, the PRC government enacted draconian quarantine measures and strict travel restrictions in response to the outbreak of COVID-19, affecting various businesses and millions of citizens. The Company had closed its office and adopted work from home policy for its employees after Lunar New Year holiday, which in line with policies of the PRC government. Since the Group performs its business activities mainly through on-line platform, the employees were able to provide services to customers like usual during the relevant period. The Company's office has been re-opened on 24 February 2020.

As at the date of this announcement, the COVID-19 has not resulted in material impact to the Group. Depending on the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement.

Save as disclosed above, there was no other significant event that might affect the Group since 31 December 2019.

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

During the year ended 31 December 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 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 2019.

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 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 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 2019 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 2019 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 2019. 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 2019 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, 30 March 2020

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.