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

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020, together with the comparative figures for the corresponding period in 2019. 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 2020

		Six months ended 30 June	
	NOTES	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	*4*	**39,097**	25,124
Less: Tax surcharge		**(332)**	(1)
Cost of revenue		**(9,043)**	(10,520)
Gross profit		**29,722**	14,603
Other income and expenses		**4,053**	3,468
Distribution and selling expenses		**(2,210)**	(4,361)
Administrative expenses		**(10,583)**	(9,164)
Research and development expenses		**(2,870)**	(3,341)
Finance costs	*5*	**(570)**	(854)
Profit before tax	*6*	**17,542**	351
Income tax expense	*7*	**–**	–
Profit and total comprehensive income for the period		**17,542**	351
Total comprehensive income attributable to owners of the Company		**17,542**	351
Earnings per share	*9*		
– Basic (RMB cents)		**4.23**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**1,160**	1,543
Right-of-use assets	10	**2,348**	2,950
Rental deposits		**185**	185
Deferred tax assets	11	**600**	600
		4,293	5,278
Current assets			
Inventories		**13,557**	22,008
Trade receivables	12	**116,235**	105,910
Prepayments, deposits and other receivables		**41,089**	29,527
Tax recoverable		**2,307**	–
Cash and cash equivalents		**87,231**	117,329
		260,419	274,774
Current liabilities			
Trade payables	13	**18,219**	25,999
Other payables		**39,527**	44,055
Lease liabilities		**1,009**	1,111
Bank borrowings	14	**–**	20,000
Tax liabilities		**–**	8
		58,755	91,173
Net current assets		**201,664**	183,601
Total assets less current liabilities		**205,957**	188,879
Non-current liabilities			
Lease liabilities		**1,486**	1,950
Deferred tax liabilities	11	**7,936**	7,936
		9,422	9,886
Net assets		**196,535**	178,993
Capital and reserves			
Share capital	15	**27,221**	27,221
Reserves		**169,314**	151,772
Total equity		**196,535**	178,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 additional accounting policies resulting from application of 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRS

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of service		
Mobile top-up service	**38,486**	24,522
Mobile data usage top-up service	**434**	379
Others	**177**	223
	39,097	25,124

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**488**	775
Interest on lease liabilities	**82**	79
	570	854

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,506**	1,489
Salaries and other benefits, excluding those of directors	**5,783**	5,961
Retirement benefits schemes contributions, excluding those of directors	**401**	939
Total staff costs	**7,690**	8,389
Depreciation of property, plant and equipment	**409**	441
Depreciation of right-of-use assets	**602**	437
Recognition of impairment loss in respect of trade receivables	**25**	–
Short-term lease expenses	**–**	364
Interest income	**(674)**	(1,403)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**–**	–
– Hong Kong	**–**	–
	–	–

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

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% for the six months ended 30 June 2019 and 2020.

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 2019 and 2020.

No provision for the PRC EIT was made in the condensed consolidated financial statements, as the assessable profit was absorbed by tax loss or no assessable profit was generated by the relevant subsidiary of the Company.

8. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2020 and 2019.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the period attributable to owners of the Company	**17,542**	351

	Number of shares Six months ended 30 June	
	2020	2019
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**415,000**	415,000

No diluted earnings per share for the six months ended 30 June 2020 and 2019 was presented as there were no potential ordinary shares in issue.

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment

During the current interim period, the Group paid approximately RMB26,000 (unaudited) (six-month period ended 30 June 2019: RMB53,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operation.

During the period ended 30 June 2019, the Group disposed certain plant and machinery with an aggregate carrying amount of approximately RMB6,000 (unaudited) for proceeds of approximately RMB8,000 (unaudited), resulting in gain on disposal of RMB2,000 (unaudited).

Right-of-use assets

For six months ended 30 June 2020 and 2019, the Group leases land and buildings in the PRC for its operations. Lease contracts are entered into for fixed lease terms of 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the current interim period, change of the Group's right-of-use assets represents depreciation amount to approximately RMB602,000 (six-month period ended 30 June 2019: RMB437,000 (unaudited)).

11. DEFERRED TAXATION

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

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(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 credit losses of Shenzhen NNK	**Taxable management fee income of Daily Charge SZ**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2019 (audited) and 30 June 2020 (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 RMB159,018,000 (unaudited) (31 December 2019: RMB139,032,000). No deferred tax liability has been recognised in respect of these taxable temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

12. TRADE RECEIVABLES

The following is an 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:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**92,180**	98,429
31 – 60 days	**6,343**	2,312
Over 60 days	**17,712**	5,169
	116,235	105,910

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. Due to deepening cooperation with major PRC banks for their promotion activities, the Group has granted credit period of 30 to 60 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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB6,557,000 (unaudited) (31 December 2019: RMB4,924,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the current interim period, the Group provided impairment allowance of RMB25,000 (six months ended 30 June 2019: nil).

13. 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:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**2,275**	3,723
91 to 180 days	**817**	1,250
181 to 360 days	**15,127**	21,026
	18,219	25,999

14. BANK BORROWINGS

No bank borrowings are outstanding as at 30 June 2020. As at 31 December 2019, the bank borrowings carry floating rate which is based on benchmark interest rate of the People's Bank of China and the effective interest rate of which is 5.90% per annum and the bank borrowings are repayable within one year.

During the current interim period, the Group obtained new bank borrowings amounting to RMB80,000,000 (unaudited) (six-month period ended 30 June 2019: RMB20,000,000 (unaudited)) and repaid bank borrowings amounting to RMB100,000,000 (unaudited) (six-month period ended 30 June 2019: RMB40,000,000 (unaudited)).

15. SHARE CAPITAL

The share capital at 30 June 2020 and 31 December 2019 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 2019 (audited), 30 June 2019 (unaudited), 1 January 2020 (audited) and 30 June 2020 (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 the beginning of 2020, the outbreak of COVID-19 has affected various businesses. The PRC government enacted draconian quarantine measures, strict travel restrictions and the extension of Lunar New Year Holiday in response to the COVID-19 epidemic. Business activities were disrupted and causing serious impact such as loss of market, increasing credit losses, worsening the cashflow position or even liquidation, to many businesses. Market participants within the mobile top-up industry were also affected to different extent, especially the temporary suspension of operation of physical stores due to the COVID-19 safety concerns that declined the transaction volume from offline channels. In addition, certain companies within the mobile top-up industry were forced to suspend their services during the COVID-19 epidemic when there was decline in transaction volume and they were unable to recover the credit sales on time to replenish the working capital for procuring top-up credit.

The Group has strived to maintain its operation during the COVID-19 epidemic. In recent years, the Group has adjusted its business strategy to focus on expanding its bank network and deepening its cooperation with major PRC banks. As at 30 June 2020, the Group had cooperative relationships with 66 (as at 31 December 2019: 66) PRC banks, including five largest state-owned commercial banks and 10 of 12 nation-wide joint stock commercial banks. The Group became the first specialized mobile top-up service provider through electronic banking systems with services covering nation-wide networks operated by the PRC telecommunication operators in 2006. Over the past decade, the Group has dedicated substantial efforts and technical resources to improve 007ka top-up platform, and it worked with the PRC banks to design and develop systems to provide quality services to its customers. As a result of the Group's efforts, the Group has been able to meet stringent technological requirements set by the PRC banks with its secure and reliable mobile top-up service platform, so that the Group was able to provide secure and reliable mobile top-up service during the COVID-19 epidemic. The number of mobile top-up requests processed by 007ka top-up platform was approximately 67.8 million for the six months ended 30 June 2020, representing an increase of approximately 22.8% as compared with approximately 55.1 million for the six months ended 30 June 2019. Moreover, due to our long-term established relationship with major PRC banks, the Group could recover sufficient cashflow from the transactions during the COVID-19 epidemic and hence ensure liquidity for business operation. The gross transaction value via electronic banking systems increased by approximately 35.3% to approximately RMB3,771.3 million for the six months ended 30 June 2020 from approximately RMB2,787.8 million for the six months ended 30 June 2019.

The Group's cost control measures from last year has seen remarkable results. The Group has successfully reduced in commission fee rates charged by certain PRC banks. The Group has streamlined downstream channels and terminated cooperation with several third-party channel partners that charged higher commission rates and reduced the scale of offline channels. The commission fees charged by PRC banks and other channels for handling mobile top-up service requests via their electronic systems decreased to RMB7.6 million for the six months ended 30 June 2020 from RMB9.2 million for the six months ended 30 June 2019. The establishment of research and development and customer service centre in Chengdu resolved the problem of high staff costs of recruiting technicians and customer service officers in Shenzhen. Total staff cost decreased to RMB7.7 million for the six months ended 30 June 2020 from RMB8.4 million for the six months ended 30 June 2019. Moreover, given the Group's reputation in the mobile top-up industry and uninterrupted service during the COVID-19 epidemic, the Group was able to source much favourable top-up credits from its suppliers. The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels increased from approximately 0.7% for the six months ended 30 June 2019 to approximately 1.0% for the six months ended 30 June 2020.

As a result of the cumulative effects of foregoing, the profit attributable to owners of the Company for the six months ended 30 June 2020 is approximately RMB17.5 million, as compared to profit attributable to owners of the Company for the six months ended 30 June 2019 of approximately RMB0.4 million.

OUTLOOK

With the fierce competition within the industry and the uncertainty of the COVID-19 epidemic, the mobile top-up service industry in the PRC continues to face challenges. As the COVID-19 epidemic has begun to under control in the PRC and the physical stores were gradually resumed operation, and the PRC telecommunication operators and their distributors were adjusting their strategies, the discount rates offered by them have been declined after the date of the reporting period. Average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased to 0.8% in July 2020 from 1% for the six months ended 30 June 2020. The Group expected that the results for the second half of 2020 would be affected by the fluctuation of the discount rates. 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 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 2020, the Group recorded a revenue of approximately RMB39.1 million, representing an increase of approximately 55.6% as compared with approximately RMB25.1 million for the corresponding period in 2019. The increase was primarily due to the increase in mobile top-up requests via electronic banking systems, and 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 increased by approximately 14.4% to approximately RMB4,092.3 million for the six months ended 30 June 2020 from approximately RMB3,577.9 million for the six months ended 30 June 2019. As at 30 June 2020, the gross transaction value via electronic banking systems increased by approximately 35.3% to approximately RMB3,771.3 million for the six months ended 30 June 2020 from approximately RMB2,787.8 million for the six months ended 30 June 2019. The gross transaction value through offline channels and other channels including third-party online platforms, the Company's own websites and WeChat public account decreased by approximately 59.4% to approximately RMB321.0 million for the six months ended 30 June 2020 from approximately RMB790.1 million for the six months ended 30 June 2019. The increase in the gross transaction values via electronic banking systems was mainly caused by the deepening cooperation with major PRC banks. The decrease in the gross transaction values through offline channels and other channels was resulted from the temporary suspension of operation of physical stores due to the outbreak of COVID-19 and the streamline of the downstream channel.

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 0.7% for the six months ended 30 June 2019 to approximately 1.0% for the six months ended 30 June 2020. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 14.1% for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019, which was in line with the increase in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 14.0% to approximately RMB9.0 million for the six months ended 30 June 2020 from approximately RMB10.5 million for the six months ended 30 June 2019, primarily due to 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 cease of cooperation with certain third-party channel partners charging higher commission rates.

Gross Profit and Gross Profit Margin

As a result of the increase in the gross transaction value and discount rate and decrease in cost of revenue, gross profit increased by approximately 103.5% to approximately RMB29.7 million for the six months ended 30 June 2020 from approximately RMB14.6 million for the six months ended 30 June 2019.

The Group's overall gross profit margin increased to approximately 76.0% for the six months ended 30 June 2020 from approximately 58.1% for the six months ended 30 June 2019, 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 expenses

Other income and expenses increased by approximately 16.9% to approximately RMB4.1 million for the six months ended 30 June 2020 from approximately RMB3.5 million for the six months ended 30 June 2019. The increase in other income and expenses was primarily due to two (for the six months ended 30 June 2019: one) government subsidies of approximately RMB2.8 million (for the six months ended 30 June 2019: RMB1.0 million) were granted to the Group for the six months ended 30 June 2020 in relation to research and development expenses incurred in prior years and one-off support from Shenzhen bureau to enterprises in digital economy sector, and the decrease in income on additional credit from the PRC tax bureau for the input value added tax of approximately RMB0.7 million.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 49.3% to approximately RMB2.2 million for the six months ended 30 June 2020 from approximately RMB4.4 million for the six months ended 30 June 2019, primarily attributable to the decrease in staff cost and sales promotion expenses.

Administration Expenses

Administration expenses increased by approximately 15.5% to approximately RMB10.6 million for the six months ended 30 June 2020 from approximately RMB9.2 million for the six months ended 30 June 2019, primarily attributable to increase in professional and consultants' fees for business development.

Research and Development Expenses

Research and development expenses decreased by approximately 14.1% to approximately RMB2.9 million for the six months ended 30 June 2020 from approximately RMB3.3 million for the six months ended 30 June 2019, primarily due to the decrease in staff cost.

Finance Costs

Finance costs decreased by approximately 33.3% to approximately RMB0.6 million for the six months ended 30 June 2020 from approximately RMB0.9 million for the six months ended 30 June 2019, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2019.

Income Tax Expense

No provision for income tax expenses were made for the six month ended 30 June 2020 and 2019 as the assessable profit was absorbed by tax loss or no assessable profit was generated by the relevant subsidiary of the Company.

Profit 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 2020 was approximately RMB17.5 million, as compared with the profit for the six months ended 30 June 2019 of approximately RMB0.4 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 2020, cash and cash equivalents of the Group was approximately RMB87.2 million, as compared with approximately RMB117.3 million as at 31 December 2019. The Group reported net current assets of approximately RMB201.7 million as at 30 June 2020, as compared with approximately RMB183.6 million as at 31 December 2019. The Group's current ratio was approximately 4.43 as at 30 June 2020, as compared with approximately 3.01 as at 31 December 2019.

The bank borrowings of the Group was RMB20.0 million as at 31 December 2019. As at 31 December 2019, the total bank borrowings being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rates at 5.90% per annum and were repayable in one year. There were no bank borrowings outstanding as at 30 June 2020.

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 RMB105.9 million for the year ended 31 December 2019 to approximately RMB116.2 million for the six months ended 30 June 2020, primary reflecting the increase in proportion of transactions with longer credit period (about 30 to 60 days from invoice 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/period and multiplied by 365 days for the year ended 31 December 2019 or 182 days for the six months ended 30 June 2020) for the six months ended 30 June 2020 was 5 days (for the year ended 31 December 2019: 6 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 2020, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group decreased to nil from approximately 0.11 as at 31 December 2019, primarily attributable to the bank borrowings fully repaid as at 30 June 2020.

Capital Expenditures

For the six months ended 30 June 2020, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB0.1 million for the six months ended 30 June 2019. 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 2020, the Group did not have any significant investments.

Capital Commitments

As at 30 June 2020, 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 2020, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 30 June 2020, 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 2020.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2020, 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 2020 (for the six months ended 30 June 2019: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group had 69 full-time employees. Total staff cost (including Director's remuneration) was approximately RMB7.7 million for the six months ended 30 June 2020, as compared with approximately RMB8.4 million for the six months ended 30 June 2019. 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 2020 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 2020, 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 2020.

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 2020. 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 2020 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$'million*	**Utilised as at 30 June 2020** *HK$'million*	**Unutilised as at 30 June 2020** *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	8.5	1.9	By 30 June 2021
Software and research and development activities	7.8	2.4	5.4	By 30 June 2021
Source mobile top-up credits	10.4	9.6	0.8	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	36.1	15.9	

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 2020 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, 28 August 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.