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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 2020**

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 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019, as follows:

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>	<i>4</i>	<b>81,742</b>	49,827
Less: Tax surcharge		<b>(513)</b>	(53)
Cost of revenue		<u><b>(18,228)</b></u>	<u>(20,129)</u>
Gross profit		<b>63,001</b>	29,645
Other income and expenses	<i>5</i>	<b>7,520</b>	6,796
Distribution and selling expenses		<b>(6,338)</b>	(6,795)
Administrative expenses		<b>(25,665)</b>	(20,772)
Research and development expenses		<b>(7,075)</b>	(6,649)
Finance costs	<i>6</i>	<u><b>(1,224)</b></u>	<u>(1,552)</u>
<b>Profit before tax</b>	<i>7</i>	<b>30,219</b>	673
Income tax expense	<i>8</i>	<u><b>(6)</b></u>	<u>(8)</u>
<b>Profit and total comprehensive income for the year</b>		<u><u><b>30,213</b></u></u>	<u><u>665</u></u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u><u><b>30,213</b></u></u>	<u><u>665</u></u>
<b>Earnings per share</b>	<i>10</i>		
– Basic (RMB cents)		<u><u><b>7.28</b></u></u>	<u><u>0.16</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2020**

	<i>NOTES</i>	<b>2020</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,490</b>	1,543
Right-of-use assets		<b>1,905</b>	2,950
Rental deposits		<b>185</b>	185
Deferred tax assets		<b>1,546</b>	600
		<b>5,126</b>	5,278
<b>Current assets</b>			
Inventories		<b>14,799</b>	22,008
Trade receivables	<i>11</i>	<b>188,976</b>	105,910
Prepayments, deposits and other receivables		<b>38,183</b>	29,527
Tax recoverables		<b>2,307</b>	–
Cash and cash equivalents		<b>103,579</b>	117,329
		<b>347,844</b>	274,774
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>18,474</b>	25,999
Other payables		<b>64,336</b>	44,055
Tax liabilities		<b>5</b>	8
Lease liabilities		<b>1,046</b>	1,111
Bank borrowings		<b>50,000</b>	20,000
		<b>133,861</b>	91,173
<b>Net current assets</b>		<b>213,983</b>	183,601
<b>Total assets less current liabilities</b>		<b>219,109</b>	188,879
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,021</b>	1,950
Deferred tax liabilities		<b>8,882</b>	7,936
		<b>9,903</b>	9,886
<b>Net assets</b>		<b>209,206</b>	178,993
<b>Capital and reserves</b>			
Share capital		<b>27,221</b>	27,221
Reserves		<b>181,985</b>	151,772
<b>Total equity</b>		<b>209,206</b>	178,993

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL

The Company was 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**”). 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 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 Mr. Huang Junmou, Mr. Yang Hua, Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. Huang Shaowu (collectively referred to as the “**Relevant 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 Relevant Shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from the Relevant Shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of Relevant 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, 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.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“**HKFRSs**”), the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the 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 the Amendments to References 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 position and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the Group’s consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Type of service		
Mobile top-up service	80,967	49,163
Mobile data usage top-up service	642	559
Others	133	105
	<u>81,742</u>	<u>49,827</u>

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, through the channels of financial institutions and other channels. Accordingly, the Group recognises revenue derived from such services on net basis.

Mobile top-up service income is entitled from the mobile subscribers, net of cost of mobile top-up credits sourced from the PRC telecommunication companies or other 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 and 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, mobile data usage top-up service and other 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 is derived from customers in the PRC and assets are principally located in the PRC. Therefore, 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income		
– from structured products ( <i>Note a</i> )	546	2,531
– from bank deposits	345	559
Government subsidy ( <i>Note b</i> )	2,826	992
(Recognition of) reversal of impairment loss in respect of trade receivables under expected credit loss model	(34)	29
Net foreign exchange (loss) gains	(729)	406
Loss on written off/disposals of property, plant and equipment	(45)	(2)
Income on additional credit for the input value added tax (“VAT”) ( <i>Note c</i> )	4,944	2,162
Others	(333)	119
	<u>7,520</u>	<u>6,796</u>

### Notes:

- (a) During the years ended 31 December 2020 and 2019, 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 2020 and 2019.
- (b) During the year ended 31 December 2020, the relevant government authority granted one-off subsidy to the Group amounting to RMB2,826,000 (2019: RMB992,000) in relation to the Group's industry related funding scheme. 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 effective period from 1 April 2019 to 31 December 2021 which states that additional 10% of input VAT would be granted to the qualified general VAT payer to offset VAT payables.

## 6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank borrowings	1,077	1,379
Interest on lease liabilities	147	173
	<u>1,224</u>	<u>1,552</u>

## 7. PROFIT BEFORE TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' emoluments	3,123	3,171
Salaries and other benefits, excluding those of directors	14,523	12,588
Retirement benefit scheme contributions, excluding those of directors	819	1,842
Total staff costs	18,465	17,601
Depreciation of property, plant and equipment	803	859
Depreciation of right-of-use assets	1,191	1,020
Auditor's remuneration		
– Audit services	1,886	1,652
– Non-audit services	422	563
Short-term lease expenses	–	543
	<u>          </u>	<u>          </u>

## 8. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	6	8
Deferred tax	–	–
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

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 “**PRC EIT Law**”) and Implementation Regulations of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% for 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. For the year ended 31 December 2019, Daily Charge SZ generated no assessable profit and for the year ended 31 December 2020, Daily Charge SZ's assessable profit was absorbed by unrecognised tax loss in prior years.

As a small-size and low-profit enterprise under the PRC EIT Law, Shenzhen Qianhai Yixing Network Technology Co., Ltd.\* (深圳前海益興網絡科技有限公司), a PRC subsidiary of the Company, was entitled to 20% preferential tax rate and only 25% of the taxable profits is subject to the PRC EIT Law, with effective period from 1 January 2019 to 31 December 2021.

\* English name is for identification purpose only

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the Reporting Period (2019: nil).

## 10. 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to owners of the Company	<u>30,213</u>	<u>665</u>
	<b>Number of share</b>	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>415,000</u>	<u>415,000</u>

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

## 11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	189,122	106,022
Less: allowance of credit losses	<u>(146)</u>	<u>(112)</u>
	<u>188,976</u>	<u>105,910</u>

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB118,309,000.

Trade receivables mainly represent receivables 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 45 days for those trade receivables based on the invoice date. For certain channels of 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 30 days	186,993	98,429
31 to 60 days	1,105	2,312
Over 60 days	<u>878</u>	<u>5,169</u>
	<u>188,976</u>	<u>105,910</u>

## 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:

	<b>2020</b> <b><i>RMB'000</i></b>	<b>2019</b> <b><i>RMB'000</i></b>
0 to 90 days	<b>6,460</b>	3,723
91 to 180 days	<b>1,018</b>	1,250
181 to 360 days	<b>10,996</b>	21,026
	<hr/>	<hr/>
	<b>18,474</b>	25,999
	<hr/> <hr/>	<hr/> <hr/>

## 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 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. Market participants within the mobile top-up industry were 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. The Group was able to maintain its operation during the COVID-19 epidemic and given its reputation in the mobile top-up industry, the Group was able to source much favourable top-up credits from its suppliers. When the COVID-19 epidemic has begun to be under control in the PRC and the physical stores gradually resumed operation in the second half of 2020, the PRC telecommunication operators and their distributors had adjusted their strategies, and the discount rates offered by them have declined since the second half of 2020. It resulted in the decrease in average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels to 0.7% for the second half of 2020 from 1% for the first half of 2020, although average discount rate increased from 0.7% for the year ended 31 December 2019 to 0.8% for the year ended 31 December 2020.

The Group has strived to increase its gross transaction value for the second half of 2020 in order to compensate the impact on the reduction of the average discount rate. In recent years, major PRC banks were putting more investment and promotion effort in their internet banking and mobile banking APP services, in order to increase customers' activity in internet banking and mobile banking APP services, and strengthen connection with customers. The Group has taken these opportunities to extend the corporation with those PRC banks by supplying top-up credits and coupons for their promotion activities. With the recovery of the PRC economic activities amid the pandemic gradually brought under control in the PRC in the second half of 2020, major PRC banks have increased their purchases of top-up credits and coupons from the Group for their promotion activities. The gross transaction value from such sales for the second half of 2020 has reached RMB712 million, as compared with RMB270 million for the six months ended 30 June 2020 and RMB310 million for the second half of 2019. The sales of top-up coupons for the banks' promotion activities have stimulated the growth of the gross transaction value via electronic banking system. The gross transaction value via electronic banking system for the second half of 2020 was RMB5,747.3 million, a 52.4% increase from RMB3,771.3 million for the six months ended 30 June 2020 and an 89.2% increase from RMB3,037.4 million for the second half of 2019. Overall gross transaction value with mobile users increased by approximately 42.3% to approximately RMB10,112.0 million for the year ended 31 December 2020 from approximately RMB7,107.2 million for the year ended 31 December 2019.

The Group monitored the extent of direct cost with the increasing volume of top-up service provided during the Reporting Period. The commission fee rates charged by certain PRC banks have been reduced due to the Group's reputation and long-term cooperation with these PRC banks. The Group has streamlined downstream channels, 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 RMB15.4 million for the year ended 31 December 2020 from RMB17.5 million for the year ended 31 December 2019, with an increase in gross transaction value by approximately 42.3%. Moreover, the Group from time to time sourced stable and price competitive top-up resources from its suppliers during the Reporting Period. Such measures could enable the Group to maintain its competitiveness within the mobile top-up industry.

As a result of the overall increase in gross transaction value of the mobile users and the average discount rate received from the PRC telecommunication operators, their distributors and other channels, the profit attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB30.2 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2019 of approximately RMB0.7 million.

## **Outlook**

Looking forward to 2021, opportunities and challenges will co-exist in the Group's mobile top-up service business in the PRC. Cooperation with major PRC banks for their promotion activities has secured the Group's position as a major supplier of mobile top-up service through electronic banking system of PRC banks, and will stimulate the growth of the Group's gross transaction value through this channel. On the other hand, the fluctuations of average discount rates which were affected by policies and business strategies from the PRC telecommunication operators and their distributors will continue to affect the profit margin of the Group. 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. The Group will increase its effort to source more favourable top-up credits from its suppliers. Moreover, the Group will continue to optimise its operational procedure to reduce the operating cost and improve the efficiency of its workflow.

## **Financial Review**

### ***Revenue***

For the Reporting Period, the Group recorded a revenue of approximately RMB81.7 million, representing an increase of approximately 64.1% as compared with approximately RMB49.8 million for the year ended 31 December 2019. The increase in revenue was primarily due to the increase in mobile top-up requests via electronic banking systems and the increase in average discount rate received from the PRC telecommunication operators and their distributors during Reporting Period.

### ***Gross Transaction Value with Mobile Users***

The gross transaction value with mobile users increased by approximately 42.3% to approximately RMB10,112.0 million for the year ended 31 December 2020 from approximately RMB7,107.2 million for the year ended 31 December 2019. The gross transaction value via electronic banking systems increased by approximately 63.4% to approximately RMB9,518.6 million for the year ended 31 December 2020 from approximately RMB5,825.2 million for the year ended 31 December 2019. 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 53.7% to approximately RMB593.4 million for the year ended 31 December 2020 from approximately RMB1,282.0 million for the year ended 31 December 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 suspension of operation of physical stores due to the outbreak of COVID-19 and the streamline of the downstream channels during the Reporting Period.

### ***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 year ended 31 December 2019 to approximately 0.8% for the year ended 31 December 2020. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 42.1% for the year ended 31 December 2020 as compared to the year ended 31 December 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 9.4% to approximately RMB18.2 million for the year ended 31 December 2020 from approximately RMB20.1 million for the year ended 31 December 2019, primarily due to the 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.

### ***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 112.5% to approximately RMB63.0 million for the year ended 31 December 2020 from approximately RMB29.6 million for the year ended 31 December 2019.

The Group's overall gross margin increased to approximately 77.1% for the year ended 31 December 2020 from approximately 59.5% for the year ended 31 December 2019, mainly due to the 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 increased by approximately 10.7% to approximately RMB7.5 million for the year ended 31 December 2020 from approximately RMB6.8 million for the year ended 31 December 2019. Such increase was primarily due to two (for the year ended 31 December 2019: one) government subsidies of approximately RMB2.8 million (for the year ended 31 December 2019: RMB1.0 million) were granted to the Group for the year ended 31 December 2020 in relation to research and development expenses incurred in prior years and one-off support from Shenzhen bureau to enterprises in the digital economy sector, and the recognition of net exchange loss from bank balances denominated in Hong Kong dollars of approximately RMB0.7 million (for the year ended 31 December 2019: net exchange gain RMB0.4 million) as a result of the appreciation of Renminbi against Hong Kong dollars.

### ***Distribution and Selling Expenses***

Distribution and selling expenses decreased by approximately 6.7% to approximately RMB6.3 million for the year ended 31 December 2020 from approximately RMB6.8 million for the year ended 31 December 2019, primarily due to the decrease in sales promotion expenses.

### ***Administration Expenses***

Administration expenses increased by approximately 23.6% to approximately RMB25.7 million for the year ended 31 December 2020 from approximately RMB20.8 million for the year ended 31 December 2019, primarily due to the increase in professional and consultants' fees for business development and staff cost.

### ***Research and Development Expenses***

Research and development expenses increased by approximately 6.4% to approximately RMB7.1 million for the year ended 31 December 2020 from approximately RMB6.6 million for the year ended 31 December 2019, primarily due to the increase in staff cost.

### ***Finance Costs***

Finance costs decreased by approximately 21.1% to approximately RMB1.2 million for the year ended 31 December 2020 from approximately RMB1.6 million for the year ended 31 December 2019, primarily due to the decrease in average bank borrowings and the decrease in average borrowing rate.

### ***Income Tax Expense***

The Group's income tax expense was minimal compared with profit before tax of RMB30.2 million as the assessable profit was significantly absorbed by tax loss by relevant subsidiary of the Company.

### ***Profit 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 2020 was approximately RMB30.2 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2019 of approximately RMB0.7 million.

## ***Liquidity, Financial Resources and Capital Structure***

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

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cash and cash equivalents	<b>103,579</b>	117,329
Net current assets	<b>213,983</b>	183,601
Net cash (used in) from operating activities	<b>(40,658)</b>	20,497
Net cash from (used in) financing activities	<b>27,636</b>	(22,461)

As at 31 December 2020, cash and cash equivalents of the Group was approximately RMB103.6 million, as compared with approximately RMB117.3 million as at 31 December 2019. The Group reported net current assets of approximately RMB214.0 million as at 31 December 2020, as compared with approximately RMB183.6 million as at 31 December 2019. The Group's current ratio was approximately 2.60 as at 31 December 2020, as compared with approximately 3.01 as at 31 December 2019.

For the year ended 31 December 2020, net cash used in operating activities was approximately RMB40.7 million, as compared with net cash from operating activities of approximately RMB20.5 million for the year ended 31 December 2019. For the year ended 31 December 2020, net cash from financing activities was approximately RMB27.6 million, as compared with net cash used in financing activities of approximately RMB22.5 million for the year ended 31 December 2019. The decrease in net cash from operating activities was due to the increase in transactions with longer credit terms granted to major PRC banks for their promotion activities.

The bank borrowings of the Group increased by approximately 150.0% to approximately RMB50.0 million as at 31 December 2020 from approximately RMB20.0 million as at 31 December 2019. As at 31 December 2020, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried fixed interest rate at 5.20% (31 December 2019: floating interest rate at 5.90%) 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 receivables increased from approximately RMB105.9 million for the year ended 31 December 2019 to approximately RMB189.0 million for the year ended 31 December 2020, primarily reflecting the increase in transactions with longer credit period (about 30 to 45 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, divided by the gross transactions value with mobile users for the year and multiplied by 366 days) for the year ended 31 December 2020 was 5 days (for the year ended 31 December 2019: 6 days). The Company realised that the increase in transactions with longer credit period would require a much closer monitoring of the settlement in order to ensure business turnover. 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 2020, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group increased to approximately 0.24 from approximately 0.11 as at 31 December 2019, primarily attributable to the increase in bank borrowings of the Group.

### ***Capital Expenditures***

For the year ended 31 December 2020, the Group had capital expenditure of approximately RMB0.8 million, as compared with approximately RMB0.1 million for the year ended 31 December 2019. The above expenditure was mainly related to leasehold improvement and the purchase of computers and office equipment.

### ***Significant Investment***

As at 31 December 2020, the Group did not have any significant investment.

### ***Capital Commitments***

As at 31 December 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 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 2020 and 2019, the Group did not have any asset charges.

### ***Contingent Liabilities and Guarantees***

As at 31 December 2020 and 2019, 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 2020.

## **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, 23 June 2021. 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, 18 June 2021 to Wednesday, 23 June 2021, 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, 17 June 2021.

## **DIVIDEND**

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2020.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2021, the Group had 77 (31 December 2019: 72) full-time employees. Total staff cost (including Directors’ remuneration) was approximately RMB18.5 million for the year ended 31 December 2020, as compared with approximately RMB17.6 million for the year ended 31 December 2019. 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 the Company) 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 <i>HK\$'million</i>	Utilised as at 31 December 2020 <i>HK\$'million</i>	Unutilised as at 31 December 2020 <i>HK\$'million</i>	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	10.4	–	N/A
Software and research and development activities	7.8	3.4	4.4	By 30 June 2021
Source mobile top-up credits	10.4	10.4	–	N/A
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
	<u>52.0</u>	<u>39.8</u>	<u>12.2</u>	

### 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 has 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**

There was no other significant event that might affect the Group since 31 December 2020.

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

During the Reporting Period, 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 2020.

## **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 as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 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 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 2020 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 2020 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. 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**”) 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](http://www.hkexnews.hk)) and the Company ([www.nnk.com.hk](http://www.nnk.com.hk)). The 2020 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 2021

*As at the date of this announcement, the executive Directors are Mr. Huang Junmou and Mr. Yang Hua; the non-executive Directors are Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. Yu Zida; the independent non-executive Directors 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.*