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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 2021

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 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	4	90,622	81,742
Less: Tax surcharge		(288)	(513)
Cost of revenue		(14,783)	(18,228)
		<hr/>	<hr/>
Gross profit		75,551	63,001
Other income and expenses	5	8,654	7,520
Distribution and selling expenses		(9,944)	(6,338)
Administrative expenses		(31,178)	(25,665)
Research and development expenses		(8,589)	(7,075)
Finance costs	6	(2,457)	(1,224)
		<hr/>	<hr/>
Profit before tax	7	32,037	30,219
Income tax expense	8	(5,559)	(6)
		<hr/>	<hr/>
Profit and total comprehensive income for the year		26,478	30,213
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to owners of the Company		26,478	30,213
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	10		
– Basic (RMB cents)		6.38	7.28
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,947	1,490
Right-of-use assets		1,553	1,905
Rental deposits		262	185
Deferred tax assets		–	1,546
		<u>3,762</u>	<u>5,126</u>
Current assets			
Inventories		23,562	14,799
Trade receivables	<i>11</i>	168,514	188,976
Prepayments, deposits and other receivables		151,332	38,183
Tax recoverables		152	2,307
Cash and cash equivalents		32,520	103,579
		<u>376,080</u>	<u>347,844</u>
Current liabilities			
Trade payables	<i>12</i>	21,176	18,474
Other payables		61,981	64,336
Tax liabilities		15	5
Lease liabilities		1,505	1,046
Bank borrowings		50,000	50,000
		<u>134,677</u>	<u>133,861</u>
Net current assets		<u>241,403</u>	213,983
Total assets less current liabilities		<u>245,165</u>	<u>219,109</u>
Non-current liabilities			
Lease liabilities		201	1,021
Deferred tax liabilities		9,280	8,882
		<u>9,481</u>	<u>9,903</u>
Net assets		<u>235,684</u>	<u>209,206</u>
Capital and reserves			
Share capital		27,221	27,221
Reserves		208,463	181,985
Total equity		<u>235,684</u>	<u>209,206</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 (the “**Structured Contracts**”) with Shenzhen Niannianka Network Technology Co., Ltd. (“**Shenzhen NNK**”) and its equity holders to maintain and exercise the control over the operation of Shenzhen NNK, and to obtain all of its entire economic benefits (the “**VIE Arrangement**”). 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 registered shareholders ; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from its registered shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of registered 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.

During the year ended 31 December 2021, there was a change of equity holders of Shenzhen NNK and a series of contracts were entered by the Group. Shenzhen NNK and the new equity holders of Shenzhen NNK to maintain the VIE Arrangement.

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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16 - Covid-19-Related Rent Concessions

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 - Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Type of service		
Mobile top-up service	90,255	80,967
Mobile data usage top-up service	282	642
Others	85	133
	<u>90,622</u>	<u>81,742</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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income		
– from structured deposits (<i>Note i</i>)	603	546
– from bank deposits	411	345
Government subsidy (<i>Note ii</i>)	694	2,826
(Recognition of) reversal of impairment loss in respect of trade receivables	61	(34)
Net foreign exchange loss	(321)	(729)
Loss on written off/disposals of property, plant and equipment	(67)	(45)
Income on additional credit for the input value added tax (“VAT”) (<i>Note iii</i>)	7,145	4,944
Others	128	(333)
	<u>8,654</u>	<u>7,520</u>

Notes:

- (i) During the years ended 31 December 2021 and 2020, the Group entered into principal and return unprotected-structured deposits with banks in the PRC that were denominated in RMB and without fixed maturity period. Interest of the structured deposits varied depending on the performance and return of underlying investments managed by the banks. The structured deposits were classified as financial assets at fair value through profit or loss on initial recognition. All the structured deposits were purchased and redeemed during the years ended 31 December 2021 and 2020.
- (ii) During the year ended 31 December 2021, the relevant government authority granted one-off subsidy to the Group amounting to RMB694,000 (2020: RMB2,826,000) 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.
- (iii) 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	2,333	1,077
Interest on lease liabilities	124	147
	<u>2,457</u>	<u>1,224</u>

7. PROFIT BEFORE TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' emoluments	2,949	3,123
Salaries and other benefits, excluding those of directors	19,463	14,523
Retirement benefit scheme contributions, excluding those of directors	2,695	819
Total staff costs	25,107	18,465
Depreciation of property, plant and equipment	866	803
Depreciation of right-of-use assets	1,385	1,191

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	2,967	6
– PRC with adding Tax	648	–
Deferred tax	1,944	–
	5,559	6

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

Hong Kong

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 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 2021, nor has any dividend been proposed since the end of the Reporting Period (2020: 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:

	2021 <i>RMB'000</i>	2020 <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>26,478</u>	<u>30,213</u>
	Number of shares	
	2021	2020
	' 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	168,599	189,122
Less: allowance of credit losses	<u>(85)</u>	<u>(146)</u>
	<u>168,514</u>	<u>188,976</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 30 days	166,896	186,993
31 to 60 days	732	1,105
Over 60 days	886	878
	<u>168,514</u>	<u>188,976</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 90 days	13,773	6,460
91 to 180 days	1,137	1,018
181 to 360 days	6,266	10,996
	<u>21,176</u>	<u>18,474</u>

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 the PRC banks and other channels including third-party online platforms, its own websites and WeChat public account.

In 2021, the COVID-19 epidemic has continued to be under control and the gradual recovery of China's economy brought a great business opportunity for the Company to facilitate the business expansion from mobile top-up service. The Group has strived to increase its gross transaction value for the full year of 2021 in order to compensate the impact on the reduction of the average discount rate offered by the PRC telecommunication operators and their distributions. The gross transaction value via electronic banking system increased by approximately 47.1% to approximately RMB14,002.4 million for the year ended 31 December 2021 from approximately RMB9,518.6 million for the year ended 31 December 2020. Overall gross transaction value with mobile users increased by approximately 40.7% to approximately RMB14,228.1 million for the year ended 31 December 2021 from approximately RMB10,112.0 million for the year ended 31 December 2020. The discount rates offered by the PRC telecommunication operators and their distributors have continued to decline in 2021. It resulted in the decrease in average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels to 0.6% for 2021 from 0.8% for 2020.

The Group monitored the extent of direct cost with the increasing volume of top-up service provided during the Reporting Period. The commission fees charged by the PRC banks and other channels for handling mobile top-up service requests via their electronic systems decreased to approximately RMB11.6 million for the year ended 31 December 2021 from approximately RMB15.4 million for the year ended 31 December 2020, with an increase in gross transaction value by approximately 41.3%. 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 impact of increase in gross transaction value of the mobile users and decrease in 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 2021 was approximately RMB26.5 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2020 of approximately RMB30.2 million.

Outlook

Looking forward to 2022, we will seek opportunities for strategic partnership with major PRC banks that can create synergies with us, and opportunities for making selective investments or acquisitions to enhance our competence. We will continue to improve our services provided to the existing merchants and secure our position as the leading supplier of mobile top-up service through electronic banking system of the PRC banks. We will also strive to create sustainable long-term value for shareholders and employees.

Impact of the COVID-19 Pandemic

In 2021, despite the impact of the disturbance of COVID-19 pandemic and related containment measures in certain cities of China, we still maintained a stable business performance due to our market position and excellent technology platform.

Although year 2022 continues to be challenging, economic recovery from the COVID-19 pandemic is progressing at a slow pace. The current new waves of Omicron variant affecting various countries may have again destabilized the economy of China which is believed to be on the right track of recovery. However, the Board is generally optimistic about the medium and long-term prospect of the mobile top-up industry and the Group's business operations.

The Group adopts a conservative policy in cash and financial management. To manage the impact of the Covid-19 pandemic and to minimize the finance risk, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly by the Directors and the top executives. We will continue to strengthen refined management, as well as cost savings and expense control brought about by economies of scale, so as to mitigate any potential impact of the COVID-19 pandemic on our business development.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB90.6 million, representing an increase of approximately 10.9% as compared with approximately RMB81.7 million for the year ended 31 December 2020. The increase in revenue was primarily due to the increase in mobile top-up requests via electronic banking systems.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users increased by approximately 41.3% to approximately RMB14,288.1 million for the year ended 31 December 2021 from approximately RMB10,112.0 million for the year ended 31 December 2020. The gross transaction value via electronic banking systems increased by approximately 47.1% to approximately RMB14,002.4 million for the year ended 31 December 2021 from approximately RMB9,518.6 million for the year ended 31 December 2020. 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 51.9% to approximately RMB285.7 million for the year ended 31 December 2021 from approximately RMB593.4 million for the year ended 31 December 2020. 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 decreased from approximately 0.8% for the year ended 31 December 2020 to approximately 0.6% for the year ended 31 December 2021. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 41.7% for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which was in line with the increase in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 18.9% to approximately RMB14.8 million for the year ended 31 December 2021 from approximately RMB18.2 million for the year ended 31 December 2020, primarily due to the decrease in commission fees charged by the 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 decrease in cost of revenue, gross profit increased by approximately 19.9% to approximately RMB75.6 million for the year ended 31 December 2021 from approximately RMB63.0 million for the year ended 31 December 2020.

The Group's overall gross margin increased to approximately 83.4% for the year ended 31 December 2021 from approximately 77.1% for the year ended 31 December 2020, mainly due to the decrease in cost of revenue.

Other Income and Expenses

Other income and expenses increased by approximately 15.1% to approximately RMB8.7 million for the year ended 31 December 2021 from approximately RMB7.5 million for the year ended 31 December 2020. Such increase was primarily due to the effect of the 10% input tax deduction policy, resulting in an increase of approximately 44.5% from approximately RMB4.9 million for the year ended 31 December 2020 to approximately RMB7.1 million for the year ended 31 December 2021.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 56.9% to approximately RMB9.9 million for the year ended 31 December 2021 from approximately RMB6.3 million for the year ended 31 December 2020, primarily due to the increase in sales promotion expenses.

Administration Expenses

Administration expenses increased by approximately 21.5% to approximately RMB31.2 million for the year ended 31 December 2021 from approximately RMB25.7 million for the year ended 31 December 2020, 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 21.4% to approximately RMB8.6 million for the year ended 31 December 2021 from approximately RMB7.1 million for the year ended 31 December 2020, primarily due to the increase in staff cost.

Finance Costs

Finance costs increased by approximately 100.7% to approximately RMB2.5 million for the year ended 31 December 2021 from approximately RMB1.2 million for the year ended 31 December 2020, primarily due to the increase in average bank borrowings and the increase in average borrowing rate.

Income Tax Expense

The Group's income tax expense significantly increased from approximately RMB0.01 million for the year ended 31 December 2020 to approximately RMB5.6 million for the year ended 31 December 2021, which was mainly due to the recoverable tax losses of the subsidiaries of the Group for previous years were used up in the current year, the deferred income tax asset recognized in the previous period was written back and income tax was withheld and paid for the dividends distributed by domestic subsidiaries to overseas subsidiaries.

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 2021 was approximately RMB26.5 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2020 of approximately RMB30.2 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:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	32,520	103,579
Net current assets	241,403	213,983
Net cash used in operating activities	(67,044)	(40,658)
Net cash (used in) from financing activities	(3,851)	27,636

As at 31 December 2021, cash and cash equivalents of the Group was approximately RMB32.5 million, as compared with approximately RMB103.6 million as at 31 December 2020. The Group reported net current assets of approximately RMB241.4 million as at 31 December 2021, as compared with approximately RMB214.0 million as at 31 December 2020. The Group's current ratio was approximately 2.8 as at 31 December 2021, as compared with approximately 2.6 as at 31 December 2020.

For the year ended 31 December 2021, net cash used in operating activities was approximately RMB67.0 million, as compared with net cash used in operating activities of approximately RMB40.7 million for the year ended 31 December 2020. For the year ended 31 December 2021, net cash used in financing activities was approximately RMB3.9 million, as compared with net cash from financing activities of approximately RMB27.6 million for the year ended 31 December 2020. The decrease in net cash from operating activities was due to an increase of advance payments to upstream suppliers.

As at 31 December 2021, the borrowings of the Group was approximately RMB50.0 million, as compared with approximately RMB50.0 million as at 31 December 2020. As at 31 December 2021, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried fixed interest rate at 5.5% (31 December 2020: fixed interest rate at 5.2%) per annum and were repayable within one year.

Trade Receivable

Trade receivables mainly represent receivables from the PRC banks in relation to our mobile top-up service. Trade receivables decreased from approximately RMB189.0 million for the year ended 31 December 2020 to approximately RMB168.5 million for the year ended 31 December 2021, primarily due to the decrease in transactions with longer credit period (about 30 to 45 days from invoice date) with China Merchants Bank, our major client.

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 2021 was 4.58 days (for the year ended 31 December 2020: 5.34 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.

Gearing Ratio

As at 31 December 2021, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group decreased to approximately 21.2% from approximately 23.9% as at 31 December 2020 due to the increase in total equity.

Capital Expenditures

For the year ended 31 December 2021, the Group had capital expenditure of approximately RMB1.4 million, as compared with approximately RMB0.8 million for the year ended 31 December 2020. The above expenditure was mainly related to the purchase of computers and office equipment.

Significant Investment

As at 31 December 2021, the Group did not have any significant investment.

Capital Commitments

As at 31 December 2021, 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 2021 and 2020, the Group did not have any charges over assets.

Contingent Liabilities and Guarantees

As at 31 December 2021 and 2020, 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 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (“**AGM**”) will be held on Thursday, 23 June 2022. Notice of the AGM will be published and despatched to the shareholders of the Company (“**Shareholders**”) in due course.

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Monday, 20 June 2022 to Thursday, 23 June 2022, both dates inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 June 2022.

DIVIDEND

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 109 (31 December 2020: 77) full-time employees. Total staff cost (including Directors’ remuneration) was approximately RMB25.1 million for the year ended 31 December 2021, as compared with approximately RMB18.5 million for the year ended 31 December 2020. 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 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**").

As at 31 December 2021, the unutilised amount of the net proceeds was approximately HK\$7.8 million in which the intended use was related to the potential acquisitions of businesses and assets that are complementary to the Group's business and operations, or forming strategic alliance with value chain partners. 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 2021.

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 2021.

CORPORATE GOVERNANCE

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 and Corporate Governance Report (refers to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended 31 December 2021) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021. 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 2021 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 2021 as set out in this announcement have been agreed by the Group’s auditor, 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) and the Company (www.nnk.com.hk). The 2021 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 2022

As at the date of this announcement, the executive Director is Mr. Huang Junmou; the non-executive Directors are Mr. Fan Weiguo 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.