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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)

**CONTINUING CONNECTED TRANSACTIONS –
REVISION OF ANNUAL CAPS FOR TRANSACTIONS
UNDER THE FRAMEWORK AGREEMENT**

REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 14 December 2021 and the circular of the Company dated 14 January 2022 in relation to the Framework Agreement entered into between the Company and the Connected Supplier in relation to the purchase of the Products by the Company and supply of the Products by the Connected Suppliers.

In view of the growth in demand for the Products under the Framework Agreement as a result of the growth in business of the Group, the Board expects that the Original Annual Caps under the Framework Agreement will be insufficient for the years ending 31 December 2022 and 2023. Therefore, on 26 May 2022 (after trading hours), the Company and the Connected Supplier entered into the Supplemental Framework Agreement to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the Framework Agreement for one year.

Save for the above, the terms of the Supplemental Framework Agreement shall remain the same as those of the Framework Agreement.

As of the date of this announcement, the cumulative transaction amount of connected transactions under the Framework Agreement has not exceeded the Original Annual Caps for the year ending 31 December 2022.

IMPLICATIONS UNDER THE LISTING RULES

The Connected Supplier, being company controlled by the sibling of Ms. Lam, the substantial shareholder of the Company, is connected person of the Company under the Listing Rules.

Therefore, the transactions contemplated under the Framework Agreement (as amended by the Supplemental Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For the Proposed Revised Annual Caps, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) of the maximum amount of the Proposed Revised Annual Caps are more than 5% and exceed HK\$10 million, the Supplemental Framework Agreement constitutes continuing connected transactions which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the transactions contemplated under the Supplemental Framework Agreement (including the Proposed Revised Annual Caps), and to advise the Independent Shareholders as to whether the terms of the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same issues.

THE EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps.

Ms. Lam is required to abstain from voting on the resolution regarding the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps to be proposed at the EGM.

A circular containing, among other things, (i) a letter from the Board; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) further details on the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps; and (v) a notice to convene the EGM will be despatched to the Shareholders in due course.

REVISION OF ANNUAL CAPS FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

Introduction

Reference is made to the announcement of the Company dated 14 December 2021 and the circular of the Company dated 14 January 2022 in relation to the Framework Agreement entered into between the Company and the Connected Supplier in relation to the purchase of the Products by the Company and supply of the Products by the Connected Suppliers.

In view of the growth in demand for the Products under the Framework Agreement as a result of the growth in business of the Group, the Board expects that the Original Annual Caps under the Framework Agreement will be insufficient for the years ending 31 December 2022 and 2023. Therefore, on 26 May 2022 (after trading hours), the Company and the Connected Supplier entered into the Supplemental Framework Agreement to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the Framework Agreement for one year.

Save for the above, the terms of the Supplemental Framework Agreement shall remain the same as those of the Framework Agreement.

As of the date of this announcement, the cumulative transaction amount of the connected transactions under the Framework Agreement has not exceeded the Original Annual Caps for the year ending 31 December 2022.

The Supplemental Framework Agreement

The principal terms of the Supplemental Framework Agreement are summarised below.

Date	:	26 May 2022 (after trading hours)
Parties	:	the Company (as customer); and the Connected Supplier (as supplier)
Duration	:	The period from 1 January 2022 to 31 December 2024
Subject Matter	:	The Connected Supplier shall supply the Products to the Group at prevailing market prices.
Pricing Terms	:	The price of the products supplied by the Connected Supplier to the Group will be based on the quoted price for the products to be supplied. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to the prevailing market price for the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third-party suppliers.

Save for the Proposed Revised Annual Caps, the terms of the Supplemental Framework Agreement are the same as those of the Framework Agreement, further details of which are set out in the circular of the Company dated 14 January 2022.

Historical Transaction Amounts

The table below sets out the historical transactions in relation to the purchase of the Products by the Company and supply of the Products by the Connected Suppliers amounts under the Framework Agreement during the period stated in the table below:

	For the period from 26 October 2021 to 31 December 2021 RMB'000	For the four months ended 30 April 2022 RMB'000
Historical Transaction amount	117,532	365,388

The Directors confirm that the transaction amounts from 1 January 2022 to the date of this announcement are within the Original Annual Cap for the year ending 31 December 2022 under the Framework Agreement.

Annual Caps

The table below sets out the Original Annual Caps and the Proposed Revised Annual Caps in relation to the purchase of the Products by the Company and supply of the Products by the Connected Suppliers under the Framework Agreement and the Supplemental Framework Agreement:

	Original Annual Caps		Proposed Revised Annual Caps		
	For the year ending 31 December				
	2022	2023	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	700,000	864,000	1,500,000	2,000,000	2,400,000

The Proposed Revised Annual Caps under the Supplemental Framework Agreement represent approximately 114% and 131% increase from the Original Annual Caps for the year ending 31 December 2022 and 2023 respectively. Such Proposed Revised Annual Caps have been determined after taking into account the following factors:

- (i) the historical transaction amount in relation to the purchase of the Products by the Company and supply of the Products by the Connected Suppliers during the period from 26 October 2021 to 31 December 2021 and the four months ended 30 April 2022;
- (ii) the growth in demand for the Products from the Connected Supplier by the Company as the pricing of the Products from the Connected Supplier are more competitive than other independent third-party suppliers; and
- (iii) the increase in growth in business of the Group.

Reason and Benefits of entering into the Supplemental Framework Agreement

The Directors have been carefully monitoring the historical transaction amounts of, and the estimated demand for, the transactions contemplated under the Framework Agreement of the Group. The Directors consider that the entering into the Supplemental Framework Agreement would be conducive to the Group's revenue growth and boosting profits as a result.

The Connected Supplier has been supplying the Products to the Group for over 8 years and the Group has not encountered any issue with the Products supplied by the Connected Supplier in the past. The Group has been procuring, and is expected to continue to procure, the Products from the Connected Supplier in order to fulfill its customers' mobile top-up and mobile data usage top-up requests.

The Board believes a strong relationship with experienced supplier is a strength, and the Group has established long standing business relationship with the Connected Supplier, the entering into of the Supplemental Framework Agreement would help the Group to secure access to suppliers with more convenient, efficient network, better service quality and competitive pricing.

The Directors (excluding the independent non-executive Directors who will form their view after taking into account the advice of the Independent Financial Adviser) are of the view that: (i) the transactions contemplated under the Supplemental Framework Agreement have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms of the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps are fair, reasonable and in the interests of the Group and Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole, and the annual caps under the Supplemental Framework Agreement will not exceed the Proposed Revised Annual Caps, the Group has adopted the following internal control measures:

- (i) before entering into individual procurement contemplated under the continuing connected transactions, the procurement department will be responsible for preparing the relevant procurement in accordance with the Group's management systems on connected transaction, so as to ensure that the procurement price conforms to the prevailing market rate and industry practice. The procurement department will review the pricing on a yearly basis before the end of each year;
- (ii) the Group's finance department headed by the chief financial officer is responsible to conduct a yearly review on the pricing mechanism for the transactions under the Supplemental Framework Agreement to ensure that the prices are determined in accordance with the pricing policies adopted by the Group on normal commercial terms, the chief financial officer will report to the Board, the audit committee of the Board and the independent non-executive Directors at the end of each review period;

- (iii) all individual procurement contemplated under the Supplemental Framework will be entered into prior to the provision or procurement of such products. The Group's finance department headed by the chief financial officer is responsible to review the pricing mechanism for the transactions under the Supplemental Framework Agreement to ensure that the prices charged for a specific transaction are fair and reasonable and are determined in accordance with the applicable pricing policy and on normal commercial terms. The terms of the agreements and the prices will be reviewed and countersigned by the Group's internal control department to ensure that they are determined in accordance with the pricing policies and do not exceed the Proposed Revised Annual Caps, and such information will be cross-checked by the Group's chief financial officer and reported to the Board on a quarterly basis;
- (iv) the Group's finance department headed by the chief financial officer will be responsible to monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that on a standalone basis and an aggregate basis, they would comply with the Listing Rules and will not exceed the Proposed Revised Annual Caps and/or the Platform Services Annual Caps. The finance department will report to the Board on a half yearly basis regarding the amounts conducted during the period and the estimated amount in the following six months to facilitate the Board to monitor the actual amount of transaction amount, assess whether the Proposed Revised Annual Caps and/or the Platform Services Annual Caps will be exceeded. In the event that any respective annual caps are exceeded, the Group shall enter into supplemental agreement with the relevant connected persons to agree on the revised annual caps and comply with the relevant requirements of the Listing Rules prior to the entering into further transactions with the connected persons in this regard;
- (v) the independent non-executive Directors will continue to review the transactions contemplated under the Supplemental Framework Agreement and the Platform Services Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof; and
- (vi) any Directors related to the connected persons of the Group shall abstain from voting on the relevant Board resolutions in relation to such continuing connected transactions.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Supplemental Framework Agreement and the Platform Services Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group is principally engaged in the provision of mobile top-up services and data usage top-up services.

The Connected Supplier is a company established in the PRC with limited liability and is held as to 70% by Ms. Lam's sibling and is a connected person of the Company pursuant to Rule 14A.21(1)(b) of the Listing Rules. The Connected Supplier is principally engaged in the sales of digital goods, value added business in finance and telecommunications industries.

IMPLICATIONS UNDER THE LISTING RULES

The Connected Supplier, being a company indirectly owned by the sibling of Ms. Lam who is the substantial shareholder of the Company, is a connected person of the Company under the Listing Rules.

Therefore, the transactions contemplated under the Supplemental Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of the Proposed Revised Annual Caps are more than 5% and exceed HK\$10 million, the Supplemental Framework Agreement constitutes continuing connected transactions which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the transactions contemplated under the Supplemental Framework Agreement (including the Proposed Revised Annual Caps), and to advise the Independent Shareholders as to whether the terms of the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same issues.

THE EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps.

Ms. Lam is required to abstain from voting on the resolutions regarding the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps to be proposed at the EGM.

A circular containing, among other things, (i) a letter from the Board; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) further details on the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps; and (v) a notice to convene the EGM will be despatched to the Shareholders in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or PRC”	the People’s Republic of China and, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	NNK Group Limited (年年卡集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3773)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Supplier”	Yinsheng Communication Company Limited* (銀盛通信有限公司), a company established in the PRC with limited liability and indirectly owned by Ms. Lam’s sibling as to 70% of shareholdings
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and consolidated affiliated entity(ies)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. Lin Zhangxi, Mr. Qian Haomin and Ms. Zhao Jinlin, to be established to make recommendation to the Independent Shareholders in respect of the terms of the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps

“Independent Financial Adviser”	Hologram Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Framework Agreement, the transactions contemplated thereunder and the Proposed Revised Annual Caps
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting on a resolution to approve the relevant transaction at a general meeting of the Company
“Independent Third Party”	a person or entity who is not considered a connected person of the Company under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Ms. Lam”	Ms. Lam Ching Wan (林靜云), the ultimate beneficial owner of Spring Harbour, substantial shareholder of the Company
“Original Annual Caps”	the existing annual monetary cap(s) for the transactions contemplated under the Framework Agreement for the period from 26 October 2021 to 31 December 2023
“Products”	means mobile top-up credits and mobile data usage top-up credits
“Proposed Revised Annual Cap(s)”	the proposed annual monetary cap(s) for the transactions contemplated under the Framework Agreement for the period from 1 January 2022 to 31 December 2024 as amended under the Supplemental Framework Agreement
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Spring Harbour”	Spring Harbour Development Limited, a company incorporated in the British Virgin Islands with limited liability and the substantial shareholder of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Supplemental
Framework
Agreement”

the agreement dated 26 May 2022 entered into between the Company and the Connected Supplier to revise the Original Annual Caps to the Proposed Revised Annual Caps

“%”

per cent.

By order of the Board
NNK Group Limited
Huang Junmou
Chairman

Hong Kong, 26 May 2022

As at the date of this announcement, Mr. Huang Junmou is the executive Director; Mr. Fan Weiguo and Mr. Yu Zida are the non-executive Directors; and Mr. Lin Zhangxi, Mr. Qian Haomin and Ms. Zhao Jinlin are the independent non-executive Directors.