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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of NNK Group Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021. The unaudited consolidated interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and the Company’s auditor, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB' 000 (Unaudited)	2021 RMB' 000 (Unaudited)
Revenue	4	41,402	51,312
Less: Tax surcharge		(130)	(142)
Cost of revenue		<u>(6,853)</u>	<u>(9,306)</u>
Gross profit		34,419	41,864
Other income and other gains and losses		4,149	650
Distribution and selling expenses		(3,404)	(5,014)
Administrative expenses		(11,028)	(13,161)
Research and development expenses		(3,249)	(3,819)
Finance costs	5	<u>(418)</u>	<u>(1,662)</u>
Profit before tax	6	20,469	18,858
Income tax expense	7	<u>(4,962)</u>	<u>(2,904)</u>
Profit and total comprehensive income for the period		<u>15,507</u>	<u>15,954</u>
Total comprehensive income attributable to owners of the Company		<u>15,507</u>	<u>15,954</u>
Earnings per share	9		
– Basic (RMB cents)		<u>3.74</u>	<u>3.84</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	<i>NOTES</i>	As at 30 June 2022 <i>RMB' 000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>RMB' 000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	2,695	1,947
Right-of-use assets	<i>10</i>	2,914	1,553
Rental deposits		187	262
		<u>5,796</u>	<u>3,762</u>
Current assets			
Inventories		19,938	23,562
Trade receivables	<i>12</i>	119,601	168,514
Prepayments, deposits and other receivables		112,407	151,332
Tax recoverable		–	152
Cash and cash equivalents		115,908	32,520
		<u>367,854</u>	<u>376,080</u>
Current liabilities			
Trade payables	<i>13</i>	21,063	21,176
Other payables		47,321	61,981
Tax liabilities		1,643	15
Bank borrowings	<i>14</i>	40,000	50,000
Lease liabilities		1,278	1,505
		<u>111,305</u>	<u>134,677</u>
Net current assets		<u>256,549</u>	<u>241,403</u>
Total assets less current liabilities		<u>262,345</u>	<u>245,165</u>
Non-current liabilities			
Lease liabilities		1,874	201
Deferred tax liabilities	<i>11</i>	9,280	9,280
		<u>11,154</u>	<u>9,481</u>
Net assets		<u>251,191</u>	<u>235,684</u>
Capital and reserves			
Share capital	<i>15</i>	27,221	27,221
Reserves		223,970	208,463
Total equity		<u>251,191</u>	<u>235,684</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 5/F, Building F5, TCL International E City, No.1001 Zhongshan Yuan Road, Nanshan District, Shenzhen, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The principal activity of the Group is engaged in providing mobile top-up service to mobile subscribers in the PRC.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The mobile top-up service provided by the Group is prohibited and restricted from foreign investment in the PRC pursuant to the applicable PRC laws and regulations. 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 its entire economic benefits (the “**VIE Arrangement**”). The Structured Contracts are irrevocable and have enabled 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 registered shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from the registered shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of the 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 condensed consolidated financial statements of the Group during both periods.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June. 2021
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

Type of service	Six months ended 30 June	
	2022	2021
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Mobile top-up service	41,281	51,109
Mobile data usage top-up service	88	159
Others	33	44
	<u>41,402</u>	<u>51,312</u>

The Group provides the mobile top-up and mobile data usage top-up services 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 a 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, being the chief operating decision maker (the “CODM”), in order to allocate resources to the segments and to assess their performance.

The CODM reviews the Group’s 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 periods.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB’ 000	RMB’ 000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	350	1,593
Interest on lease liabilities	68	69
	<u>418</u>	<u>1,662</u>

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	RMB’ 000	RMB’ 000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Directors’ emoluments	1,430	1,468
Salaries and other benefits, excluding those of directors	8,734	7,295
Retirement benefits schemes contributions, excluding those of directors	1,294	1,058
	<u>11,458</u>	<u>9,821</u>
Total staff costs		
Depreciation of property, plant and equipment	432	425
Depreciation of right-of-use assets	832	702
Recognition (reversal) of impairment loss in respect of trade receivables	53	(10)
Interest income	(950)	(377)
	<u>(950)</u>	<u>(377)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	4,962	710
– PRC withholding tax	–	648
Deferred tax (<i>Note 11</i>)	–	1,546
	<u>4,962</u>	<u>2,904</u>

No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements, as no assessable profit was generated in Hong Kong.

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 the six months ended 30 June 2022 and 2021.

8. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2022 and 2021.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the period attributable to owners of the Company	15,507	15,954
	415,000	415,000

	Number of shares	
	Six months ended 30 June	
	2022	2021
	' 000	' 000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	415,000	415,000

No diluted earnings per share for the six months ended 30 June 2022 and 2021 was presented as there were no potential ordinary shares in issue.

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

Property, plant and equipment

During the current interim period, the Group paid RMB1,288,000 (unaudited) (for the six months ended 30 June 2021: RMB601,000 (unaudited)) for the acquisition of computer and office equipment.

Right-of-use assets

For both periods, the Group leases land and buildings in Hong Kong and the PRC for its operations. Lease contracts are entered into for fixed lease terms of 1 year to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the current interim period, the Group entered into new office premise agreements with lease terms of 5 years (for the six months ended 30 June 2021: 25 months to 3 years). The Group is required to make fixed lease payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB2,193,000 (for the six months ended 30 June 2021: RMB881,000).

11. DEFERRED TAXATION

The deferred tax liabilities represented the tax effect of RMB37,120,000 management fee to be paid by Shenzhen NNK and to be received by Daily Charge Technology (Shenzhen) Limited in prior years under the VIE Arrangement.

At the end of the current interim period, the Group had unused tax losses of RMB388,000 (31 December 2021: RMB14,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB220,903,000 (unaudited) (31 December 2021: RMB203,486,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

12. TRADE RECEIVABLES

The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the date of service provided and revenue recognised, at the end of each reporting period:

	30 June 2022 RMB' 000 (Unaudited)	31 December 2021 RMB' 000 (Audited)
0 to 30 days	110,199	166,896
31 to 60 days	2,920	732
Over 60 days	6,482	886
	119,601	168,514

Trade receivables mainly represent receivable from financial institutions in relation to the mobile top-up service which the settlement period is normally within 1 day from transaction date. Due to deepening cooperation with the PRC banks for their promotion activities, the Group has granted credit period of 30 to 45 days to certain customers based on the invoice date. For certain channels of customers, the credit period was about 30 to 60 days granted by the Group based on the invoice date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,972,000 (unaudited) (31 December 2021: RMB2,788,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the current interim period, the Group reversed impairment allowance of RMB53,000 (six months ended 30 June 2021: provided impairment allowance of RMB10,000).

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the date of service provided, at the end of each reporting period:

	30 June 2022 RMB' 000 (Unaudited)	31 December 2021 RMB' 000 (Audited)
0 to 90 days	17,473	13,773
91 to 180 days	370	1,137
181 to 360 days	<u>3,220</u>	<u>6,266</u>
	<u>21,063</u>	<u>21,176</u>

14. BANK BORROWINGS

As at 30 June 2022, the bank borrowings carry fixed rate of 4.6% to 5.5% per annum (31 December 2021: fixed rate of 5.5% per annum) and the bank borrowings are repayable within one year.

During the current interim period, the Group obtained new bank borrowings amounting to RMB263,500,000 (unaudited) (six months ended 30 June 2021: RMB51,050,000 (unaudited)) and repaid bank borrowings amounting to RMB273,500,000 (unaudited) (six months ended 30 June 2021: RMB51,050,000 (unaudited)).

15. SHARE CAPITAL

The share capital at 30 June 2022 and 31 December 2021 represented the share capital of the Company. Details of authorised and issued capital of the Company are as follow:

	Number of authorised shares	Number of issued shares	Issued and fully paid share capital	
			<i>US\$</i>	<i>RMB' 000</i>
As at 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited) – Ordinary shares of US\$0.01 each	<u>2,000,000,000</u>	<u>415,000,000</u>	<u>4,150,000</u>	<u>27,221</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 the first half of the year of 2022, new waves of Omicron variant affecting various countries have again destabilized the economy of China which was believed to be on the right track of recovery. Despite this, we still maintained a stable business performance due to our leading market position and excellent technology platform.

The Group has strived to increase its gross transaction value for the six months ended 30 June 2022 in order to compensate the impact on the reduction of the average discount rate offered by the PRC telecommunication operators and their distributors. The gross transaction value via electronic banking system increased by approximately 13.3% to approximately RMB7,772.3 million for the six months ended 30 June 2022 from approximately RMB6,858.6 million for the six months ended 30 June 2021. Overall gross transaction value with mobile users increased by approximately 11.8% to approximately RMB7,833.1 million for the six months ended 30 June 2022 from approximately RMB7,006.6 million for the six months ended 30 June 2021. The discount rates offered by the PRC telecommunication operators and their distributors have continued to decline in the first half of the year of 2022. As a result, the average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased to 0.5% for the first half of 2022 from 0.7% for the first half of 2021.

OUTLOOK

The Board is generally optimistic about the medium and long-term prospect of the mobile top-up industry and the Group's business operation. We will seek opportunities for strategic partnership with the 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.

THE IMPACT OF THE PANDEMIC

Although the COVID-19 pandemic is expected to have lasting impact on China's macro economy throughout this year, we will continue to give full consideration to all the pandemic-related risks as well as prevention and control measures in daily operation. With the joint efforts of the management and all employees, the Group made efforts to prevent and control the pandemic in an orderly manner. Our stable results in the first half of 2022 demonstrate the continuity of our business and our capability to address the macro economic challenges.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB41.4 million, representing a decrease of approximately 19.3% as compared with approximately RMB51.3 million for the corresponding period in 2021. The decrease was primarily due to the increase in mobile top-up requests via electronic banking systems, and such effect was partly offset by the decrease in average discount rate received from the PRC telecommunication operators and their distributors during the current interim period.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users increased by approximately 11.8% to approximately RMB7,833.1 million for the six months ended 30 June 2022 from approximately RMB7,006.6 million for the six months ended 30 June 2021. The gross transaction value via electronic banking systems increased by approximately 13.3% to approximately RMB7,772.3 million for the six months ended 30 June 2022 from approximately RMB6,858.6 million for the six months ended 30 June 2021. The gross transaction value through other channels including third-party online platforms, the Company's own website and WeChat public account decreased by approximately 58.9% to approximately RMB60.8 million for the six months ended 30 June 2022 from approximately RMB148.0 million for the six months ended 30 June 2021. The increase in the gross transaction values via electronic banking systems was mainly caused by the deepening cooperation between the Group and the PRC banks. The decrease in the gross transaction values through offline channels and other channels was resulted from the streamline of the downstream channels.

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 0.7% for the six months ended 30 June 2021 to approximately 0.5% for the six months ended 30 June 2022. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 11.5% for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021, which was in line with the increase in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 26.3% to approximately RMB6.85 million for the six months ended 30 June 2022 from approximately RMB9.3 million for the six months ended 30 June 2021. The decrease in cost of revenue with growth in gross transaction value was primarily due to the reduction of transaction volume with certain third-party channel partners charging higher commission rates.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 17.9% to approximately RMB34.4 million for the six months ended 30 June 2022 from approximately RMB41.9 million for the six months ended 30 June 2021.

The Group's overall gross profit margin increased to approximately 83.7% for the six months ended 30 June 2022 from approximately 81.6% for the six months ended 30 June 2021, primarily attributable to the decrease in cost of revenue in higher proportion than the decrease in revenue.

Other Income and Other Gains and Losses

Other income and other gains and losses increased by approximately 485.7% to approximately RMB4.1 million for the six months ended 30 June 2022 from approximately RMB0.7 million for the six months ended 30 June 2021. The increase in other income and other gains and losses was primarily due to the increase in income on additional credit from the PRC tax bureau for the input value added tax of approximately RMB3 million.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 32% to approximately RMB3.4 million for the six months ended 30 June 2022 from approximately RMB5 million for the six months ended 30 June 2021, primarily attributable to the decrease in sales promotion expenses due to the impact of the COVID-19 pandemic on economic activities in the first half of 2022.

Administration Expenses

Administration expenses decreased by approximately 16.7% to approximately RMB11 million for the six months ended 30 June 2022 from approximately RMB13.2 million for the six months ended 30 June 2021, primarily attributable to decrease in professional and consultants' fees for business development and staff cost.

Research and Development Expenses

Research and development expenses decreased by approximately 15.8% to approximately RMB3.2 million for the six months ended 30 June 2022 from approximately RMB3.8 million for the six months ended 30 June 2021, primarily due to the decrease in staff cost.

Finance Costs

Finance costs decreased by approximately 76.5% to approximately RMB0.4 million for the six months ended 30 June 2022 from approximately RMB1.7 million for the six months ended 30 June 2021, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2021.

Income Tax Expense

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 was 25% for the six months ended 30 June 2022 and 2021.

The income tax expense for the six months ended 30 June 2022 represented the provision of the PRC Enterprise Income Tax (“**EIT**”) of RMB5.0 million for the PRC subsidiary (for the six months ended 30 June 2021: RMB2.9 million).

Profit for the Period attributable to Owners of the Company

As a result of the cumulative effects of the foregoing, profit for the six months ended 30 June 2022 was approximately RMB15.5 million, as compared with the profit for the six months ended 30 June 2021 of approximately RMB16.0 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.

As at 30 June 2022, cash and cash equivalents of the Group was approximately RMB115.9 million, as compared with approximately RMB32.5 million as at 31 December 2021. The Group reported net current assets of approximately RMB256.5 million as at 30 June 2022, as compared with approximately RMB241.4 million as at 31 December 2021. The Group’s current ratio was approximately 3.3 as at 30 June 2022, as compared with approximately 2.79 as at 31 December 2021.

The bank borrowings of the Group were RMB50 million and RMB40 million as at 31 December 2021 and 30 June 2022 respectively. As at 31 December 2021 and 30 June 2022, the bank borrowings, being interest-bearing bank borrowings which were denominated in Renminbi, carried fixed interest rates of 4.6% to 5.5% per annum and were repayable in one year.

The Group currently does not adopt any financial instruments for hedging purposes. However, the management will consider the usage of financial instrument for hedging purpose when the need arises.

Trade Receivables

Trade receivables mainly represent receivables from PRC banks in relation to the Group's mobile top-up service. Trade receivables decreased from approximately RMB168.5 million as at 31 December 2021 to approximately RMB119.6 million as at 30 June 2022, primary reflecting the decrease in transactions with the PRC banks for their promotion activities for the six months ended 30 June 2022 as compared with the transactions for the year ended 31 December 2021.

Trade receivables turnover days (calculated by the average of the beginning and ending balances of trade receivables of the year/period, divided by the gross transactions value with mobile users for the year/period and multiplied by 366 days for the year ended 31 December 2021 or 182 days for the six months ended 30 June 2022) for the six months ended 30 June 2022 was 3 days (for the year ended 31 December 2021: 5 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 of the settlement of customers, and annual evaluation of the credit limits according to the track record and financial position of the counterparties.

Gearing Ratio

As at 30 June 2022, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group was 15.9% (As at 31 December 2021: 21.2%).

Capital Expenditures

For the six months ended 30 June 2022, the Group had capital expenditure of approximately RMB3.5 million, as compared with approximately RMB1.5 million for the six months ended 30 June 2021. The expenditure was mainly related to the acquisition of computer and office equipment of approximately RMB1.3 million (for the six months ended 30 June 2021: approximately RMB0.6 million) for replacement in daily operations and addition of right-of-use assets of approximately RMB2.2 million (for the six months ended 30 June 2021: 0.9 million).

Significant Investments

During the six months ended 30 June 2022, the Group did not have any significant investments.

Capital Commitments

As at 30 June 2022, the Group did not have any material capital commitments.

Foreign Exchange Risk

The Group's reporting currency is in Renminbi to which the Group's material transactions are denominated. The net proceed from global offering are denominated in Hong Kong Dollars, which exposed the Group to market risk arising from changes in foreign exchange rate. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Charges on Assets

As at 30 June 2022 and 2021, the Group did not have any charges over its assets.

Contingent Liabilities and Guarantees

As at 30 June 2022 and 2021, the Group did not have any significant contingent liabilities and guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have specific plan for material investments or capital assets as at 30 June 2022.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2022, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the Group had 122 full-time employees (as at 31 December 2021: 109). Total staff cost (including Director's remuneration) was approximately RMB11.5 million for the six months ended 30 June 2022, as compared with approximately RMB9.8 million for the six months ended 30 June 2021. All employees have joined the state-managed retirement benefits schemes in the PRC or Mandatory Provident Fund Scheme in Hong Kong which are classified as defined contribution plans. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has recruited and promoted individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has provided training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that might affect the Group since the end of the six months ended 30 June 2022 and up to the date of this announcement.

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

During the six months ended 30 June 2022, 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 Model Code during the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value accountability.

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2022. 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 the Shareholders accordingly.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control systems of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee comprises three independent non-executive Directors, namely Ms. Zhao Jinlin, Mr. Qian Haomin and Mr. Lin Zhangxi. Ms. Zhao Jinlin is the chairlady of the Audit Committee and she is the independent non-executive Director with the appropriate professional qualifications.

The Audit Committee, together with the external auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited consolidated interim results of the Company for the six months ended 30 June 2022 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 7 January 2016 and the Company raised net proceeds (after the exercise of the over-allotment option and after deducting the underwriting fees, commissions and other expenses payable by the Company in connection with the global offering) of approximately HK\$52.0 million. The utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 24 December 2015.

As at 30 June 2022, 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. During the six months ended 30 June 2022, the Group has not utilised such net proceeds. As the Group had not identified, committed to or entered into negotiations with any acquisition targets or value chain partners, the Group has no specific expected timeframe for fully utilising such proceeds.

The unutilised portion of the net proceeds is deposited in reputable banks in Hong Kong.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nnk.com.hk). The 2022 interim report of the Company will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
NNK Group Limited
Huang Junmou
Chairman

Hong Kong, 25 August 2022

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

The English text of this announcement shall prevail over its Chinese text in case of inconsistency.