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 2021

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 2021, together with the comparative figures for the corresponding period in 2020. 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 2021

		Six months ended 30 June	
	NOTES	**2021**	2020
		RMB' 000	*RMB' 000*
		(Unaudited)	*(Unaudited)*
Revenue	*4*	**51,312**	39,097
Less: Tax surcharge		**(142)**	(332)
Cost of revenue		**(9,306)**	(9,043)
Gross profit		**41,864**	29,722
Other income and other gains and losses		**650**	4,053
Distribution and selling expenses		**(5,014)**	(2,210)
Administrative expenses		**(13,161)**	(10,583)
Research and development expenses		**(3,819)**	(2,870)
Finance costs	*5*	**(1,662)**	(570)
Profit before tax	*6*	**18,858**	17,542
Income tax expense	*7*	**(2,904)**	–
Profit and total comprehensive income for the period		**15,954**	17,542
Total comprehensive income attributable to owners of the Company		**15,954**	17,542
Earnings per share	*9*		
– Basic (RMB cents)		**3.84**	4.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	**As at 30 June 2021** ***RMB' 000*** ***(Unaudited)***	As at 31 December 2020 *RMB' 000* *(Audited)*
Non-current assets			
Property, plant and equipment	*10*	**1,658**	1,490
Right-of-use assets	*10*	**2,084**	1,905
Rental deposits		**262**	185
Prepayment of acquisition of property, plant and equipment		**249**	–
Deferred tax assets	*11*	**–**	1,546
		4,253	5,126
Current assets			
Inventories		**44,216**	14,799
Trade receivables	*12*	**159,371**	188,976
Prepayments, deposits and other receivables		**30,209**	38,183
Tax recoverable		**2,394**	2,307
Cash and cash equivalents		**113,320**	103,579
		349,510	347,844
Current liabilities			
Trade payables	*13*	**16,565**	18,474
Other payables		**50,898**	64,336
Lease liabilities		**1,364**	1,046
Bank borrowings	*14*	**50,000**	50,000
Tax liabilities		**–**	5
		118,827	133,861
Net current assets		**230,683**	213,983
Total assets less current liabilities		**234,936**	219,109
Non-current liabilities			
Lease liabilities		**894**	1,021
Deferred tax liabilities	*11*	**8,882**	8,882
		9,776	9,903
Net assets		**225,160**	209,206
Capital and reserves			
Share capital	*15*	**27,221**	27,221
Reserves		**197,939**	181,985
Total equity		**225,160**	209,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 with Mr. Huang Junmou, Mr. Yang Hua, Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. Huang Shaowu (collectively referred to as the "**Relevant Shareholders**") (the "**Structured Contracts**") and Shenzhen Niannianka Network Technology Co., Ltd. ("**Shenzhen NNK**") to maintain and exercise the control over the operation of Shenzhen NNK, and to obtain 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 Relevant Shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from the Relevant Shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of the Relevant Shareholders' obligations under the Structured Contracts.

The Company does not have any equity interest in Shenzhen NNK. However, as a result of the Structured Contracts, the Company has power over Shenzhen NNK, has rights to variable returns from its involvement with Shenzhen NNK and has the ability to affect those returns through its power over Shenzhen NNK and therefore is considered to have control over Shenzhen NNK. Consequently, the Company regards Shenzhen NNK as an indirect subsidiary and consolidated the financial position and results of Shenzhen NNK in the 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

	Six months ended 30 June	
	2021	2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Type of service		
Mobile top-up service	**51,109**	38,486
Mobile data usage top-up service	**159**	434
Others	**44**	177
	51,312	39,097

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, 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	
	2021	2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**1,593**	488
Interest on lease liabilities	**69**	82
	1,662	570

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021	2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,468**	1,506
Salaries and other benefits, excluding those of directors	**7,295**	5,783
Retirement benefits schemes contributions, excluding those of directors	**1,058**	401
Total staff costs	**9,821**	7,690
Depreciation of property, plant and equipment	**425**	409
Depreciation of right-of-use assets	**702**	602
Short term lease expenses	**40**	–
(Reversal) recognition of impairment loss in respect of trade receivables	**(10)**	25
Interest income	**(377)**	(674)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Current tax:		
–PRC Enterprise Income Tax ("**EIT**")	**710**	–
–PRC withholding tax	**648**	–
Deferred tax *(Note 11)*	**1,546**	–
	2,904	–

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

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong dollar (HK$) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The applicable tax rate of the subsidiaries of the Company in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements, as no assessable profit was generated in Hong Kong.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "**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 2020 and 2021.

In January 2016, Daily Charge Technology (Shenzhen) Limited ("**Daily Charge SZ**"), a wholly foreign-owned enterprise of the Company, was accredited as a software enterprise by the Shenzhen Software Industry Association, and therefore could enjoy an income tax exemption for two years starting from its first profit-making year and a 50% tax reduction to an income tax rate of 12.5% for the subsequent three years. Daily Charge SZ generated no assessable profit for the six months ended 30 June 2020 and 2021.

For the six months ended 30 June 2020, no provision for the PRC EIT was made in the condensed consolidated financial statements, as the assessable profit was absorbed by tax loss or no assessable profit was generated by the relevant subsidiary of the Company.

Under the PRC EIT Law, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 by enterprises established in the PRC to foreign investors. For the six months ended 30 June 2021, the Group has applied 10% tax rate for dividends declared by a subsidiary incorporated in the PRC.

8. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2021 and 2020.

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	
	2021	2020
	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	**15,954**	17,542

	Number of shares Six months ended 30 June	
	2021	2020
	' 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 2021 and 2020 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 RMB601,000 (unaudited) (six months ended 30 June 2020: RMB26,000 (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 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the current interim period, the Group entered into new office premise and staff quarter lease agreements with lease terms of 25 months and 3 years, respectively. The Group is required to make fixed lease payments. On lease commencement, the Group recognised right-of-use assets of RMB881,000 and lease liabilities of RMB881,000. No new lease agreements were entered by the Group for the six months ended 30 June 2020.

11. DEFERRED TAXATION

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

	30 June 2021 *RMB' 000* ***(Unaudited)***	31 December 2020 *RMB' 000* *(Audited)*
Deferred tax assets	**–**	(1,546)
Deferred tax liabilities	**8,882**	8,882
	8,882	7,336

The followings are deferred tax liabilities (assets) recognised and movements thereon during the current and preceding periods:

	Taxable management fee income of Daily Charge SZ *RMB'000* *(Note)*	**Tax losses** *RMB'000*	**Total** *RMB'000*
At 31 December 2020 (audited)	9,280	(1,944)	7,336
Charge to profit or loss	–	1,546	1,546
At 30 June 2021 (unaudited)	9,280	(398)	8,882

Note: Amount represented the tax effect of RMB37,120,000 management fee to pay by Shenzhen NNK and to receive by Daily Charge SZ in prior years under the VIE Arrangement.

As at 30 June 2021, the Group had unused tax losses of RMB1,718,000 (31 December 2020: RMB16,825,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB1,594,000 (31 December 2020: RMB7,776,000) of such losses and no deferred tax asset has been recognised in respect of the remaining RMB124,000 (31 December 2020: RMB9,049,000) 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 PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB195,573,000 (unaudited) (31 December 2020: RMB175,584,000). No deferred tax liability has been recognised in respect of these taxable temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

12. TRADE RECEIVABLES

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

	30 June 2021	31 December 2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
0 to 30 days	**142,146**	186,993
31 to 60 days	**4,518**	1,105
Over 60 days	**12,707**	878
	159,371	188,976

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 RMB2,341,000 (unaudited) (31 December 2020: RMB434,000) 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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the current interim period, the Group reversed impairment allowance of RMB10,000 (six months ended 30 June 2020: provided impairment allowance of RMB25,000).

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 2021	31 December 2020
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
0 to 90 days	**10,564**	6,460
91 to 180 days	**512**	1,018
181 to 360 days	**5,489**	10,996
	16,565	18,474

14. BANK BORROWINGS

As at 30 June 2021, the bank borrowings carry fixed rate of 5.2% per annum (31 December 2020: fixed rate of 5.2% per annum) and the bank borrowings are repayable within one year.

During the current interim period, the Group obtained new bank borrowings amounting to RMB51,050,000 (unaudited) (six months ended 30 June 2020: RMB80,000,000 (unaudited)) and repaid bank borrowings amounting to RMB51,050,000 (unaudited) (six months ended 30 June 2020: RMB100,000,000 (unaudited)).

15. SHARE CAPITAL

The share capital at 30 June 2021 and 31 December 2020 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**	
			US$	*RMB' 000*
As at 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited) – Ordinary shares of US$0.01 each	2,000,000,000	415,000,000	4,150,000	27,221

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing mobile top-up services to mobile users through electronic banking systems of PRC banks and other channels including third-party online platforms, its own websites and WeChat public account.

In the beginning of 2020, the outbreak of COVID-19 has affected various businesses. The PRC government enacted draconian quarantine measures, strict travel restrictions and the extension of the Chinese Lunar New Year Holiday in response to the COVID-19 epidemic. Market participants within the mobile top-up industry were affected to different extent, especially the temporary suspension of operation of physical stores due to the COVID-19 safety concerns that declined the transaction volume from offline channels. The Group was able to maintain its operation during the COVID-19 epidemic and given its reputation in the mobile top-up industry, the Group was able to source much favourable top-up credits from its suppliers. Since the COVID-19 epidemic began to be under control in the PRC from the second half of 2020, the PRC telecommunication operators and their distributors had adjusted their strategies, and the discount rates offered by them have declined since the second half of 2020. As a result, the average discount rate declined from 1% for the first half of 2020 to 0.7% for the second half of 2020 and for the first half of 2021.

The Group has strived to increase its gross transaction value in order to compensate the impact on the reduction of the average discount rate. In recent years, the PRC banks were putting more investment and promotion efforts in their internet banking and mobile banking APP services, in order to increase customers' activity in internet banking and mobile banking APP services, and strengthen connection with customers. The Group continued to cooperate with the PRC banks by supplying top-up credits and coupons for their promotion activities. With the recovery of the PRC economic activities amid the pandemic gradually brought under control since the second half of 2020, the PRC banks have increased their purchases of top-up credits and coupons from the Group for their promotion activities. The gross transaction value from such sales for the six months ended 30 June 2021 has reached RMB624 million, as compared with RMB270 million for the six months ended 30 June 2020. The sales of top-up coupons for the banks' promotion activities have stimulated the growth of the gross transaction value via electronic banking system. The gross transaction value via electronic banking systems increased by approximately 81.9% to approximately RMB6,858.6 million for the six months ended 30 June 2021 from approximately RMB3,771.3 million for the six months ended 30 June 2020. The number of mobile top-up requests processed by 007ka top-up platform was approximately 120.0 million for the six months ended 30 June 2021, representing an increase of approximately 77.0% as compared with approximately 67.8 million for the six months ended 30 June 2020. Overall gross transaction value with mobile users increased by approximately 71.2% to approximately RMB7,006.6 million for the six months ended 30 June 2021 from approximately RMB4,092.3 million for the six months ended 30 June 2020.

OUTLOOK

As described in the 2020 annual report of the Company, opportunities and challenges co-exist in the Group's mobile top-up service business in 2021. Cooperation with the PRC banks for their promotion activities has secured the Group's position as a major supplier of mobile top-up service through electronic banking system of PRC banks, and will stimulate the growth of the Group's gross transaction value through this channel. On the other hand, the fluctuations of average discount rates which were affected by policies and business strategies from the PRC telecommunication operators and their distributors will continue to affect the profit margin of the Group. In addition, the outbreak of the Delta variant of COVID-19 in several provinces of the PRC since July 2021 has resulted in temporarily shortage of mobile top-up resources in certain provinces that also caused fluctuation in discount rates. The Group will leverage its extensive experiences and competitive advantages in the mobile top-up service industry to enhance cooperation with PRC banks and the operators, and expand the Group's service offerings in existing channels. The Group will increase its effort to source more favourable top-up credits from its suppliers in order to mitigate the temporary instability of supplies and fluctuation in discount rates of mobile top-up resources. Moreover, the Group will continue to optimize the Group's operational procedure to reduce the operating cost and improve the efficiency of its workflow.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB51.3 million, representing an increase of approximately 31.2% as compared with approximately RMB39.1 million for the corresponding period in 2020. The increase 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 71.2% to approximately RMB7,006.6 million for the six months ended 30 June 2021 from approximately RMB4,092.3 million for the six months ended 30 June 2020. The gross transaction value via electronic banking systems increased by approximately 81.9% to approximately RMB6,858.6 million for the six months ended 30 June 2021 from approximately RMB3,771.3 million for the six months ended 30 June 2020. The gross transaction value through other channels including third-party online platforms, the Company's own website and WeChat public account decreased by approximately 53.9% to approximately RMB148.0 million for the six months ended 30 June 2021 from approximately RMB321.0 million for the six months ended 30 June 2020. 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 1.0% for the six months ended 30 June 2020 to approximately 0.7% for the six months ended 30 June 2021. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 71.6% for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020, which was in line with the increase in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue increased by approximately 2.9% to approximately RMB9.3 million for the six months ended 30 June 2021 from approximately RMB9.0 million for the six months ended 30 June 2020. The slight increase in cost of revenue with significant 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

As a result of the increase in the gross transaction value, gross profit increased by approximately 40.9% to approximately RMB41.9 million for the six months ended 30 June 2021 from approximately RMB29.7 million for the six months ended 30 June 2020.

The Group's overall gross profit margin increased to approximately 81.6% for the six months ended 30 June 2021 from approximately 76.0% for the six months ended 30 June 2020, primarily attributable to the increase in revenue in higher proportion than the increase in cost of revenue.

Other Income and Other Gains and Losses

Other income and other gains and losses decreased by approximately 84.0% to approximately RMB0.7 million for the six months ended 30 June 2021 from approximately RMB4.1 million for the six months ended 30 June 2020. The decrease in other income and other gains and losses was primarily due to the decrease in government subsidies granted to the Group to approximately RMB0.3 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB2.8 million), and the unrealised net exchange loss from bank balances denominated in Hong Kong dollars of approximately RMB0.1 million (for the six months ended 30 June 2020: unrealised net exchange gain of approximately RMB0.3 million) as a result of the appreciation of Renminbi against Hong Kong dollars for the six months ended 30 June 2021.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 126.9% to approximately RMB5.0 million for the six months ended 30 June 2021 from approximately RMB2.2 million for the six months ended 30 June 2020, primarily attributable to the increase in sales promotion expenses due to the recovery of economic activities since the second half of 2020, and the increase in staff cost.

Administration Expenses

Administration expenses increased by approximately 24.4% to approximately RMB13.2 million for the six months ended 30 June 2021 from approximately RMB10.6 million for the six months ended 30 June 2020, primarily attributable to increase in professional and consultants' fees for business development and staff cost.

Research and Development Expenses

Research and development expenses increased by approximately 33.1% to approximately RMB3.8 million for the six months ended 30 June 2021 from approximately RMB2.9 million for the six months ended 30 June 2020, primarily due to the increase in staff cost.

Finance Costs

Finance costs increased by approximately 191.6% to approximately RMB1.7 million for the six months ended 30 June 2021 from approximately RMB0.6 million for the six months ended 30 June 2020, primarily due to the increase in average bank borrowings as compared with the corresponding period in 2020.

Income Tax Expense

Under 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 2021 and 2020.

The income tax expense for the six months ended 30 June 2021 represented the charge of deferred tax assets in respect of utilisation of tax loss from a PRC subsidiary of RMB1.5 million; provision of the PRC EIT of RMB0.7 million for the PRC subsidiary; and the PRC withholding income tax for a Hong Kong subsidiary of RMB0.6 million in respect of dividends from its subsidiary established in the PRC.

No provision for income tax expenses were made for the six months ended 30 June 2020 as the assessable profit was absorbed by tax loss from the relevant subsidiary of the Company.

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 2021 was approximately RMB16.0 million, as compared with the profit for the six months ended 30 June 2020 of approximately RMB17.5 million.

Liquidity, Financial Resources and Capital Structure

The Group's working capital was funded by cash from operating activities, bank loans and proceeds from global offering.

As at 30 June 2021, cash and cash equivalents of the Group was approximately RMB113.3 million, as compared with approximately RMB103.6 million as at 31 December 2020. The Group reported net current assets of approximately RMB230.7 million as at 30 June 2021, as compared with approximately RMB214.0 million as at 31 December 2020. The Group's current ratio was approximately 2.94 as at 30 June 2021, as compared with approximately 2.60 as at 31 December 2020.

The bank borrowings of the Group were RMB50.0 million as at 31 December 2020 and 30 June 2021. As at 31 December 2020 and 30 June 2021, the total bank borrowings, being interest-bearing bank borrowings which were denominated in Renminbi, carried fixed interest rates at 5.20% 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 RMB189.0 million as at 31 December 2020 to approximately RMB159.4 million as at 30 June 2021, primary reflecting the decrease in transactions with the PRC banks for their promotion activities at this interim period as compared with the transactions in the end of 2020.

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 2020 or 182 days for the six months ended 30 June 2021) for the six months ended 30 June 2021 was 5 days (for the year ended 31 December 2020: 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 2021, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group was 0.22 (As at 31 December 2020: 0.24).

Capital Expenditures

For the six months ended 30 June 2021, the Group had capital expenditure of approximately RMB1.5 million, as compared with approximately RMB0.1 million for the six months ended 30 June 2020. The expenditure was mainly related to the acquisition of computer and office equipment of approximately RMB0.6 million (for the six months ended 30 June 2020: approximately RMB0.1 million) for replacement in daily operations and addition of right-of-use assets of approximately RMB0.9 million (for the six months ended 30 June 2020: nil).

Significant Investments

During the six months ended 30 June 2021, the Group did not have any significant investments.

Capital Commitments

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

Contingent Liabilities and Guarantees

As at 30 June 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 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2021, 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 2021 (for the six months ended 30 June 2020: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had 99 full-time employees (as at 31 December 2020: 77). Total staff cost (including Director's remuneration) was approximately RMB9.8 million for the six months ended 30 June 2021, as compared with approximately RMB7.7 million for the six months ended 30 June 2020. 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 2021 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 2021, 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 2021.

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 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 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 C.3 of the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control 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 2021 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

Intended use of proceeds from the global offering	**Total net proceeds from the global offering** *HK$'million*	**Utilised during the six months ended 30 June 2021** *HK$'million*	**Utilised as at 30 June 2021** *HK$'million*	**Unutilised as at 30 June 2021** *HK$'million*	**Expected timeframe for utilising the remaining unused net proceeds** *(Note ii)*
Enhance the Group's brand recognition by channel partners	10.4	–	10.4	–	N/A
Upgrade hardware and network infrastructure	10.4	–	10.4	–	N/A
Software and research and development activities	7.8	–	3.4	4.4	By 30 June 2022
Source mobile top-up credits	10.4	–	10.4	–	N/A
Potential acquisitions of businesses and assets that are complementary to the Group's business and operations, or forming strategic alliance with value chain partners	7.8	–	–	7.8	(Note iii)
General working capital	5.2	–	5.2	–	N/A
	52.0	–	39.8	12.2	

Notes:

(i) The figures in the table are approximate figures.

(ii) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(iii) As of the date of this announcement, the Group had not identified, committed to or entered into negotiations with any acquisition targets for the use of net proceeds from the global offering, hence the Group has no specific expected timeframe for fully utilising such proceeds.

To the best knowledge of the Board, the delay in the use of the remaining unused net proceeds under the category of "software and research and development activities" was mainly due to the Group's delay in commencement of revamping and upgrading the Group's 007ka top-up platform and recruiting additional experienced research and development staff in order to maintain a cautious approach in face of the uncertainty of the current economic environment, which resulted in less relevant spending than originally expected.

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 2021 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, 27 August 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Huang Junmou and Mr. Yang Hua; the non-executive Directors of the Company are Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. Yu Zida; the independent non-executive Directors of the Company are Mr. Lin Zhangxi, Mr. Qian Haomin and Ms. Zhao Jinlin.

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