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**NNK Group Limited**  
**年年卡集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3773)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of NNK Group Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021, as follows:

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

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	<i>4</i>	<b>86,655</b>	90,622
Less: Tax surcharge		<b>(290)</b>	(288)
Cost of revenue		<b>(13,887)</b>	(14,783)
		<hr/>	<hr/>
Gross profit		<b>72,478</b>	75,551
Other income and expenses	<i>5</i>	<b>9,741</b>	8,654
Distribution and selling expenses		<b>(7,487)</b>	(9,944)
Administrative expenses		<b>(30,177)</b>	(31,178)
Research and development expenses		<b>(7,298)</b>	(8,589)
Finance costs	<i>6</i>	<b>(1,095)</b>	(2,457)
		<hr/>	<hr/>
<b>Profit before tax</b>	<i>7</i>	<b>36,162</b>	32,037
Income tax expense	<i>8</i>	<b>(8,897)</b>	(5,559)
		<hr/>	<hr/>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<b>27,265</b>	26,478
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>	<i>10</i>		
– Basic (RMB cents)		<b>6.57</b>	6.38
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2022**

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		3,723	1,947
Right-of-use assets		2,034	1,553
Rental deposits		155	262
Trade receivables	<i>11</i>	9,047	–
Deferred tax assets		85	–
		<u>15,044</u>	<u>3,762</u>
<b>Current assets</b>			
Inventories		9,430	23,562
Trade receivables	<i>11</i>	234,383	168,514
Prepayments, deposits and other receivables		151,525	151,332
Tax recoverables		–	152
Bank balances and cash		96,217	32,520
		<u>491,555</u>	<u>376,080</u>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	19,771	21,176
Other payables		60,177	61,981
Tax liabilities		1,578	15
Lease liabilities		635	1,505
Bank borrowings		150,000	50,000
		<u>232,161</u>	<u>134,677</u>
<b>Net current assets</b>		<u>259,394</u>	241,403
<b>Total assets less current liabilities</b>		<u>274,438</u>	245,165
<b>Non-current liabilities</b>			
Lease liabilities		1,559	201
Deferred tax liabilities		9,930	9,280
		<u>11,489</u>	9,481
<b>Net assets</b>		<u>262,949</u>	235,684
<b>Capital and reserves</b>			
Share capital		27,221	27,221
Reserves		235,728	208,463
<b>Total equity</b>		<u>262,949</u>	235,684

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares (the “**Share(s)**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office is located at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 13/F, Building C2, Nanshan iPark, No. 1001, Xueyuan Boulevard, Nanshan District, Shenzhen, the People Republic of China (the “**PRC**”).

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

During the year, the Group also expanded into two new businesses, namely: (i) the e-commerce operation and dealership business (the “**Dealership Business**”); and (ii) the equipment and information technology procurement business (the “**Telecommunication Equipment Business**”) through cooperating with its business partners, i.e. the PRC domestic telecommunication operators.

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

## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The mobile top-up service provided by the Group is prohibited and restricted from foreign investment in the PRC pursuant to the applicable PRC laws and regulations. The Group has adopted a series of contracts (the “**Structured Contracts**”) with Shenzhen Niannianka Network Technology Co., Ltd. (“**Shenzhen NNK**”) and its registered shareholders to maintain and exercise the control over the operation of Shenzhen NNK, and to obtain all of its entire economic benefits (the “**VIE Arrangement**”). The Structured Contracts are irrevocable and enable the Group to:

- exercise effective financial and operational control over Shenzhen NNK;
- exercise equity holders’ voting rights of Shenzhen NNK;
- receive substantially all economic returns generated by Shenzhen NNK in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Shenzhen NNK from registered shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from its registered shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of registered shareholders’ obligations under the Structured Contracts.

The Company does not have any equity interest in Shenzhen NNK. However, as a result of the Structured Contracts, the Company has power over Shenzhen NNK, has rights to variable returns from its involvement with Shenzhen NNK and has the ability to affect those returns through its power over Shenzhen NNK and therefore is considered to have control over Shenzhen NNK. Consequently, the Company regards Shenzhen NNK as an indirect wholly-owned subsidiary and consolidated the financial position and results of Shenzhen NNK in the consolidated financial statements of the Group during both years.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“HKFRSs”), the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

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

### 4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Type of service		
Mobile top-up service	83,951	90,255
Mobile data usage top-up service	149	282
Other top-up service	24	85
Service income arise from the Telecommunication Equipment Business	1,897	—
Service income arise from the Dealership Business	634	—
	<u>86,655</u>	<u>90,622</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.

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 and 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 in time when the mobile subscribers have the ability to direct the use of the credits and obtain the benefit of the credits.

Service income arising from the Telecommunication Equipment Business is recognised when the equipment has been delivered to the end customers of telecommunication operators, being at the point in time when the suppliers of the telecommunication equipment transferred the risks and rewards of the products to the end customers. The Group recognises revenue in the amount specified in the contracts, net of the costs of telecommunication equipment, including the installation costs incurred by the suppliers for the end customers.

Service income arising from the Dealership Business is recognised at the point in time when the household appliances manufactured by the suppliers have been transferred to the customer of the Group. The Group recognises revenue in the amount specified in the contracts, net of the costs incurred from sourcing the products from suppliers.

## Segment information

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and the chief operating decision makers (the “CODMs”) in order to allocate resources to the segments and to assess their performance.

The CODMs review the Group’s financial performance as a whole, which is principally generated from the provision of mobile top-up service, mobile data usage top-up service and other top-up service by the Group to customers and determined in accordance with the Group’s accounting policies, for performance assessment. Therefore, no separate segment information is prepared by the Group.

## Geographical information

All of the Group’s revenue is derived from customers in the PRC and assets are principally located in the PRC. Therefore, no geographical segment information is presented.

## Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the total revenue of the Group during both years.

## 5. OTHER INCOME AND EXPENSES

	2022 RMB’000	2021 RMB’000
Interest income		
– from structured deposits ( <i>Note i</i> )	790	603
– from bank deposits	1,175	411
Government subsidy ( <i>Note ii</i> )	2,010	694
(Recognition of) reversal of impairment loss in respect of trade receivables	(168)	61
Net foreign exchange gain (loss)	691	(321)
Loss on written off/disposals of property, plant and equipment	(222)	(67)
Gain on early termination of leases	55	–
Income on additional credit for the input value added tax (“VAT”) ( <i>Note iii</i> )	5,473	7,145
Others	(63)	128
	<u>9,742</u>	<u>8,654</u>

### Notes:

- (i) During the years ended 31 December 2022 and 2021, the Group entered into principal and return unprotected-structured deposits with banks in the PRC that were denominated in RMB and without fixed maturity period. Interest of the structured deposits varied depending on the performance and return of underlying investments managed by the banks. The structured deposits were classified as financial assets at fair value through profit or loss on initial recognition. All the structured deposits were purchased and redeemed during the years ended 31 December 2022 and 2021.
- (ii) During the year ended 31 December 2022, the relevant government authority granted subsidy to the Group amounting to RMB2,010,000 (2021: RMB694,000) in relation to the Group’s industry related funding scheme. The government subsidy was recognised in the profit or loss in the year in which it became receivable.
- (iii) On 21 March 2019, the PRC tax authority has published 2019 Bulletin 39 with effective period from 1 April 2019 to 31 December 2021 which states that additional 10% of input VAT would be granted to the qualified general VAT payer to offset VAT payables. On 3 March 2022, the PRC tax authority has extended the effective period to 31 December 2022 in Announcement 2022 Bulletin 11.

## 6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	957	2,333
Interest on lease liabilities	138	124
	<u>1,095</u>	<u>2,457</u>

## 7. PROFIT BEFORE TAX

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' emoluments	3,464	2,949
Salaries and other benefits, excluding those of directors	21,561	19,463
Retirement benefit scheme contributions, excluding those of directors	2,856	2,695
	<u>27,881</u>	<u>25,107</u>
Total staff costs	27,881	25,107
Depreciation of property, plant and equipment	1,058	866
Depreciation of right-of-use assets	1,421	1,385
	<u>2,002</u>	<u>1,966</u>
Auditor's remuneration	2,002	1,966
– Audit services	492	456
– Non-audit services	1,510	1,510
	<u>492</u>	<u>456</u>

## 8. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	8,239	2,967
– PRC Withholding Tax	–	648
	<u>8,239</u>	<u>3,615</u>
Underprovision in prior years	93	–
– PRC EIT	93	–
	<u>8,332</u>	<u>3,615</u>
Deferred tax	565	1,944
	<u>8,897</u>	<u>5,559</u>

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

### Hong Kong

No provision for taxation in Hong Kong has been made in the consolidated financial statements as no assessable profit was generated in Hong Kong for both years.

## The PRC

Under the Law of the PRC on Enterprise Income Tax (the “**PRC EIT Law**”) and Implementation Regulations of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

As a small-size and low-profit enterprise under the PRC EIT Law, Daily Charge Technology (Shenzhen) Co., Ltd. (“**Daily Charge SZ**”), a wholly foreign-owned enterprise of the Company, and Shenzhen Qianhai Yixing Network Technology Co., Ltd.\* (深圳前海益興網絡科技有限公司), a PRC subsidiary of the Company, were entitled to 20% preferential tax rate and only 12.5% of the taxable profits is subject to the PRC EIT Law, with effective period from 1 January 2022 to 31 December 2024.

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the Reporting Period (2021: nil).

## 10. EARNINGS PER SHARE

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to owners of the Company	<u><u>27,265</u></u>	<u><u>26,478</u></u>
	<b>Number of shares</b>	
	<b>2022</b>	2021
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>415,000</u></u>	<u><u>415,000</u></u>

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

\* English name is for identification purpose only

## 11. TRADE RECEIVABLES

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Trade receivables		
– Mobile top-up service	197,150	168,599
– Telecommunication Equipment Business	29,010	–
– Dealership Business	17,523	–
Less: allowance of credit losses	(253)	(85)
	<u>243,430</u>	<u>168,514</u>
Less: amount due for settlement with 12 months shown under current assets	(234,383)	(168,514)
Amount due for settlement after 12 months shown under non-current assets	<u>9,047</u>	<u>–</u>

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB188,976,000.

Trade receivables from mobile top-up service mainly represent receivables from financial institutions in relation to the mobile top-up service which the settlement period is normally within 1 day from transaction date. Due to deepening cooperation with major PRC banks for their promotion activities, the Group has granted credit period of 30 to 45 days for those trade receivables based on the invoice date. For certain channels of customers, the credit period was about 30 to 60 days granted by the Group based on the invoice date. The Group did not hold any collateral over these balances.

Trade receivables from the Telecommunication Equipment Business mainly represent receivables from telecommunication operators, which are repayable by instalments ranged from 6 months to 36 months.

Trade receivables from the Dealership Business mainly represent receivables from a customer that the Group allows a credit period of no more than 90 days based on the delivery date. As of 31 March 2023, trade receivables as of 31 December 2022 had been fully settled subsequent to the end of the reporting period.

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

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
0 to 30 days	191,607	166,896
31 to 60 days	45,758	732
Over 60 days	6,065	886
	<u>243,430</u>	<u>168,514</u>

## 12. TRADE PAYABLES

The Group is normally granted credit terms of about 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
0 to 90 days	14,753	13,773
91 to 180 days	1,290	1,137
181 to 360 days	3,728	6,266
	<u>19,771</u>	<u>21,176</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 banks in the PRC and other channels including third-party online platforms, its own websites and WeChat public account.

In 2022, the Group has strived to increase its gross transaction value of mobile top-up service throughout the year 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 6.86% to approximately RMB14,962.8 million for the year ended 31 December 2022 from approximately RMB14,002.4 million for the year ended 31 December 2021. Overall gross transaction value with mobile users increased by approximately 5.78% to approximately RMB15,114.1 million for the year ended 31 December 2022 from approximately RMB14,288.1 million for the year ended 31 December 2021. The average discount rates offered by the PRC telecommunication operators and their distributors have continued to decline in 2022. It resulted in the decrease in average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels to 0.56% for 2022 from 0.63% for 2021.

The Group monitored the extent of direct cost with the increasing volume of top-up service provided during the Reporting Period. The commission fees charged by the PRC banks and other channels for handling mobile top-up service requests via their electronic systems decreased to approximately RMB10.5 million for the year ended 31 December 2022 from approximately RMB11.6 million for the year ended 31 December 2021, with an increase in gross transaction value by approximately 6.86%. Moreover, the Group from time to time sourced stable and price competitive top-up resources from its suppliers during the Reporting Period. Such measures are aimed at maintaining the Group's competitiveness within the mobile top-up industry.

In the second half of 2022, in order to reduce potential business risks that could be brought along by challenges the Group faces in the mobile top-up industry and seek to diversify its sources of income, the Group has gradually extended itself into operating two new businesses, namely (i) the Dealership Business; and (ii) the Telecommunication Equipment Business through cooperating with its business peers, i.e. the PRC domestic telecommunication operators.

### Dealership Business

On 15 September 2022, the Company entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with ISP Global limited (“**ISP Global**”) which is valid from 15 September 2022 to 15 September 2025. With the help of ISP Global's information resources in e-commerce and customer resources, the Group began to participate in e-commerce business in China in September 2022. Leveraging on a framework agreement entered into with a subsidiary of ISP Global, Daily Charge SZ, a wholly foreign-owned enterprise of the Company, entered into wholesale dealership agreements with certain authorized manufacturers of Philips, which enables Daily Charge SZ to utilize self-operated flagship stores of ISP Global on the Jingdong Mall (京東商城) platform to sell water solution, personal care, health and massage products within China. For the year ended 31 December 2022, the gross transaction value of the Dealership Business was RMB48.5 million.

## **Telecommunication Equipment Business**

The Group has always maintained its competitiveness in the mobile top-up service industry and with the cooperative relationships established with the PRC telecommunication operators over the years. In 2022, the Group launched the Telecommunication Equipment Business based on the needs of end customers of telecommunication operators in China. Shenzhen NNK, a domestic wholly-owned subsidiary of the Group, purchased relevant equipment and information technology services from the end supplier of the industry according to the needs of the telecommunication operators and sold such products to them. For the year ended 31 December 2022, the gross transaction value of the Telecommunication Equipment Business was RMB33.3 million.

The profit attributable to owners of the Company for the year ended 31 December 2022 was approximately RMB27.3 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2021 of approximately RMB26.5 million.

## **Outlook**

Looking forward to 2023, with the significant relaxation of domestic epidemic prevention policies by the Chinese government and the implementation of relevant normalization measures, the domestic economy is expected to recover gradually. However, the Directors expect that the costs of the mobile top-up business will continue to increase and the competition will be increasingly keen, which may have a negative impact on the Group's performance in 2023.

In order to reduce the impact and risks brought by the decline of the mobile top-up business to the Group, management will from time to time seek opportunities for potential mergers and acquisitions, business integration and/or expansion to maintain the Group's competitiveness.

In January 2023, the Group has started to cooperate with a renowned short video social media platform in China to carry out digital marketing services for local living, thereby enriching its business portfolio. Local living services focus on catering, hotel and tourism, leisure and entertainment, tourist attractions and other service scenarios, and the industry has plenty room for development. According to relevant data and the estimation of the offline market size and online penetration rate of the sub-industries, the total market size of the local living market in 2021 for in-store catering, in-store integrated and hotel and tourism industries was approximately RMB968 billion, and will increase to RMB1,812.8 billion in 2025, with a CAGR of 17%. In which, the market size of in-store catering industry is expected to reach RMB357.4 billion in 2025, the market size of the in-store integrated industry is expected to reach RMB391.7 billion in 2025, and the market size of the hotel and tourism industry is expected to reach RMB1,063.7 billion in 2025. Compared with 2021, the number of merchants achieving sales on this local living service platform has increased by 22 times and the overall transaction amount has increased by more than 30 times. The Group will place efforts in the growth of these business segments in the future should they be able to positively contribute to the Group's long-term development.

At the same time, the Group will continue to evaluate and review the performance and returns of the new business segments launched in 2022 and increase the investment in these segments as and when appropriate.

## **Impact of the COVID-19 Pandemic**

In 2022, despite the impact of the disturbance of COVID-19 pandemic and related containment measures in certain cities of China, we still maintained a stable business performance due to our market position and excellent technology platform.

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

## **Financial Review**

### ***Revenue***

For the Reporting Period, the Group recorded a revenue of approximately RMB86.7 million, representing a decrease of approximately 4.3% as compared with approximately RMB90.6 million for the year ended 31 December 2021. The decrease in revenue was primarily due to the overall decrease in mobile top-up requests via electronic banking systems and the revenue from the mobile top-up services for the year ended 31 December 2022 had decreased when compared with prior year.

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

The gross transaction value with mobile users increased by approximately 5.78% to approximately RMB15,114.1 million for the year ended 31 December 2022 from approximately RMB14,288.1 million for the year ended 31 December 2021. The gross transaction value via electronic banking systems increased by approximately 6.86% to approximately RMB14,962.8 million for the year ended 31 December 2022 from approximately RMB14,002.4 million for the year ended 31 December 2021. The gross transaction value through offline channels and other channels including third party online platforms, the Group's own websites and WeChat public account decreased by approximately 47% to approximately RMB151.3 million for the year ended 31 December 2022 from approximately RMB285.7 million for the year ended 31 December 2021. The increase in the gross transaction values via electronic banking systems was mainly caused by enhanced cooperation with major PRC banks. The decrease in the gross transaction values through offline channels and other channels was resulted from the suspension of operation of physical stores due to the outbreak of COVID-19 and the streamline of the downstream channels during the Reporting Period.

### ***Gross Transaction Value with PRC Telecommunication Operators, their Distributors and Other Channels***

The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 0.63% for the year ended 31 December 2021 to approximately 0.56% for the year ended 31 December 2022. The gross transaction value with the PRC telecommunication operators, their distributors and other channels increased by approximately 5.78% for the year ended 31 December 2022 as compared to the year ended 31 December 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 6% to approximately RMB13.9 million for the year ended 31 December 2022 from approximately RMB14.8 million for the year ended 31 December 2021, primarily due to the effective cost control for the mobile top-up services.

### ***Gross Profit and Gross Profit Margin***

Gross profit decreased by approximately 4% to approximately RMB72.5 million for the year ended 31 December 2022 from approximately RMB75.6 million for the year ended 31 December 2021.

The Group's overall gross margin increased slightly to approximately 83.6% for the year ended 31 December 2022 from approximately 83.4% for the year ended 31 December 2021.

### ***Other Income and Expenses***

Other income and expenses increased by approximately 11.5% to approximately RMB9.7 million for the year ended 31 December 2022 from approximately RMB8.7 million for the year ended 31 December 2021. Such slight increase was primarily due to the increase in interest income, net foreign exchange gain and the increase in government subsidy, offset by the decrease in income on additional credit for the input value added tax (“VAT”).

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

Distribution and selling expenses decreased by approximately 25% to approximately RMB7.5 million for the year ended 31 December 2022 from approximately RMB9.9 million for the year ended 31 December 2021, primarily due to the decrease in sales promotion expenses to bank customers.

### ***Administration Expenses***

Administration expenses decreased by approximately 3.2% to approximately RMB30.2 million for the year ended 31 December 2022 from approximately RMB31.2 million for the year ended 31 December 2021, primarily due to the decrease in professional and consultants’ fees for business development and staff cost.

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

Research and development expenses decreased by approximately 15% to approximately RMB7.3 million for the year ended 31 December 2022 from approximately RMB8.6 million for the year ended 31 December 2021, primarily due to the decrease in staff cost.

### ***Finance Costs***

Finance costs decreased by approximately 55.4% to approximately RMB1.1 million for the year ended 31 December 2022 from approximately RMB2.5 million for the year ended 31 December 2021, primarily due to the decrease in average bank borrowings and the decrease in average borrowing rate.

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

The Group’s income tax expense significantly increased from approximately RMB5.6 million for the year ended 31 December 2021 to approximately RMB8.9 million for the year ended 31 December 2022, which was mainly due to the increase in PRC Enterprise Income Tax.

### ***Profit for the Year attributable to Owners of the Company***

As a result of cumulative effects of foregoing, profit attributable to owners of the Company for the year ended 31 December 2022 was approximately RMB27.3 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2021 of approximately RMB26.5 million.

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

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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Bank balances and cash	<b>96,217</b>	32,520
Net current assets	<b>259,394</b>	241,403
Net cash used in operating activities	<b>(33,503)</b>	(67,044)
Net cash from (used in) financing activities	<b>57,546</b>	(3,851)

As at 31 December 2022, bank balances and cash of the Group was approximately RMB96.2 million, as compared with approximately RMB32.5 million as at 31 December 2021. The Group reported net current assets of approximately RMB259.4 million as at 31 December 2022, as compared with approximately RMB241.4 million as at 31 December 2021. The Group's current ratio was approximately 2.1 as at 31 December 2022, as compared with approximately 2.8 as at 31 December 2021.

For the year ended 31 December 2022, net cash used in operating activities was approximately RMB33.5 million, as compared with net cash used in operating activities of approximately RMB67.0 million for the year ended 31 December 2021. For the year ended 31 December 2022, net cash used in financing activities was approximately RMB57.5 million, as compared with net cash from financing activities of approximately RMB3.9 million for the year ended 31 December 2021. The decrease in net cash used in operating activities was due to a decrease of advance payments to upstream suppliers.

As at 31 December 2022, the borrowings of the Group was approximately RMB150.0 million, as compared with approximately RMB50.0 million as at 31 December 2021. As at 31 December 2022, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rate at 4.2% to 5.5% (31 December 2021: fixed interest rate at 5.5%) per annum and were repayable within one year.

### ***Trade Receivables***

Trade receivables mainly represent receivables from the PRC banks in relation to our mobile top up service, the Telecommunication Equipment Business and the Dealership Business with amounts of approximately RMB197.2 million, RMB29.0 million and RMB17.5 million respectively. Trade receivables from mobile top up service increased from approximately RMB168.5 million for the year ended 31 December 2021 to approximately RMB197.2 million for the year ended 31 December 2022, primarily due to the increase in transactions with longer credit period (about 30 to 45 days from invoice date) with Bank of China, our major client.

Trade receivables turnover days (calculated by the average of the beginning and ending balances of trade receivables of the year, divided by the gross transactions value with mobile users for the year and multiplied by 366 days) for the year ended 31 December 2022 was 4.96 days (for the year ended 31 December 2021: 4.58 days). The Company realised that the increase in transactions with longer credit period would require a much closer monitoring of the settlement in order to ensure business turnover. The Company will continue to monitor the credit risk by ongoing review the settlement of customers, and evaluate the credit limits annually accordingly to the track record and financial position of the counterparties. The Group's trading terms with the customers of the two new businesses, namely Dealership Business and Telecommunication Equipment Business, are mainly on credit with credit periods ranging from three months to three years depending on several factors including trade practice, the size of the contracts, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables with these customers effectively, credit limits of these customers are evaluated periodically. Overdue balances are reviewed regularly by the senior management. An impairment analysis is performed at each reporting date to measure expected credit losses.

### ***Gearing Ratio***

As at 31 December 2022, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group increased to approximately 57.05% from approximately 21.2% as at 31 December 2021 due to the increase in bank borrowings.

### ***Capital Expenditures***

For the year ended 31 December 2022, the Group had capital expenditure of approximately RMB3.1 million, as compared with approximately RMB1.4 million for the year ended 31 December 2021. The above expenditure was mainly attributable to the increase in office renovation expenses.

### ***Significant Investment***

As at 31 December 2022, the Group did not have any significant investment.

### ***Capital Commitments***

As at 31 December 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 fluctuations in foreign exchange rate. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

### ***Charges on Assets***

As at 31 December 2022, bank borrowings with amounts of RMB85.0 millions were secured by certain of the Group's trade receivables (2021: nil).

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

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities, guarantees or any litigation.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no specific plan for material investments or capital assets as at 31 December 2022.

## **MATERIAL ACQUISITIONS OR DISPOSALS**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company (“AGM”) will be held on Wednesday, 14 June 2023. Notice of the AGM will be published and despatched to the shareholders of the Company (“Shareholders”) in due course.

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Friday, 9 June 2023 to Wednesday, 14 June 2023, both dates inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 June 2023.

## **DIVIDEND**

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2022.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had 134 (31 December 2021: 109) full-time employees. Total staff cost (including Directors’ remuneration) was approximately RMB27.9 million for the year ended 31 December 2022, as compared with approximately RMB25.1 million for the year ended 31 December 2021. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has been recruiting and promoting individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

## **USE OF PROCEEDS FROM GLOBAL OFFERING**

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

As at 31 December 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. The Group has no specific expected timeframe for fully utilising such proceeds.

## **EVENTS AFTER THE REPORTING PERIOD**

There was no significant event that might affect the Group since 31 December 2022.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its code of conduct regarding Director's securities transactions. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2022.

## **CORPORATE GOVERNANCE**

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate accountability.

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 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 Shareholders accordingly.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee consists of three independent non-executive Directors, being Ms. Zhao Jinlin, Mr. Qian Haomin and Mr. Lin Zhangxi. Ms. Zhao Jinlin is the chairwoman of the Audit Committee.

The Audit Committee, together with the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, have reviewed the annual results of the Group for the year ended 31 December 2022 and agreed to the accounting principle and practices adopted by the Group.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **SHARE OPTION SCHEME**

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 14 December 2015, details of which are set out in Appendix IV to the Prospectus. Certain provisions of the Share Option Scheme were amended and approved in the extraordinary general meeting of the Company held on 4 November 2016 to include the advisors, consultants, suppliers, customers, distributors, business partners and such other persons who, in the opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries as participants eligible to participate in the Share Option Scheme. Details of amendments were set out in the circular of the Company dated 18 October 2016. During the Reporting Period and up to the date of this announcement, no share options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.nnk.com.hk](http://www.nnk.com.hk)). The 2022 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**NNK Group Limited**  
**Zhou Jinhuang**  
*Director*

Hong Kong, 31 March 2023

*As at the date of this announcement, the executive Directors are Mr. Huang Junmou, Dr. Zhou Jinhuang and Mr. Guan Heng; the non-executive Directors are Mr. Fan Weiguo and Mr. Yu Zida; the independent non-executive Directors are Mr. Lin Zhangxi, Mr. Qian Haomin and Ms. Zhao Jinlin.*

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