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 2016

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 29.7% to approximately RMB162.6 million, as compared with approximately RMB231.4 million in the previous year.
- Gross profit decreased by approximately 29.0% to approximately RMB82.1 million, as compared with approximately RMB115.7 million in the previous year.
- Profit attributable to owners of the Company increased by approximately 25.2% to approximately RMB33.5 million, as compared with approximately RMB26.8 million in the previous year.
- Basic earnings per Share were RMB0.08, as compared with RMB0.09 in the previous year.
- The Board proposed a final dividend of RMB0.024 per Share for the year ended 31 December 2016 (2015: nil).

The board (the "**Board**") of directors (the "**Directors**") of NNK Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the **"Reporting Period"**), together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Revenue	4	**162,564**	231,370
Less: Tax surcharge		**(2,571)**	(4,767)
Cost of revenue		**(77,850)**	(110,867)
Gross profit		**82,143**	115,736
Other income and expenses	5	**11,167**	8,426
Distribution and selling expenses		**(10,095)**	(7,370)
Administrative expenses		**(26,239)**	(24,804)
Listing expenses		**—**	(24,240)
Research and development expenses		**(14,567)**	(15,419)
Finance costs	6	**(7,759)**	(13,802)
Profit before tax	7	**34,650**	38,527
Income tax expense	8	**(1,105)**	(11,724)
Profit and total comprehensive income for the year		**33,545**	26,803
Total comprehensive income attributable to owners of the Company		**33,545**	26,803
Earnings per Share	10		
- Basic (RMB)		**0.08**	0.09
- Diluted (RMB)		**0.08**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**7,309**	11,732
Rental deposits		**498**	337
Deferred tax assets		**5,568**	5,568
		13,375	17,637
Current assets			
Inventories		**157,172**	265,625
Trade receivables	11	**69,875**	38,138
Prepayments, deposits and other receivables		**47,498**	117,638
Amounts due from related companies		**—**	86,793
Tax recoverable		**819**	—
Restricted bank deposits		**—**	27,000
Cash and cash equivalents		**124,719**	49,968
		400,083	585,162
Current liabilities			
Trade payables	12	**36,911**	55,055
Other payables		**53,123**	64,918
Tax payables		**—**	1,518
Bank borrowings		**80,000**	344,815
		170,034	466,306
Net current assets		**230,049**	118,856
Total assets less current liabilities		**243,424**	136,493

	2016	2015
	RMB'000	RMB'000
Non-current liabilities		
Government grants	**895**	2,419
Deferred tax liabilities	**9,280**	9,280
	10,175	11,699
Net assets	**233,249**	124,794
Capital and reserves		
Share capital	**27,221**	308
Reserves	**206,028**	124,486
Total equity	**233,249**	124,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 June 2014 and its shares (the "Share(s)") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 January 2016 (the "Listing"). Its ultimate controlling shareholders are Huang Junmou, Yang Hua, Li Xiangcheng, Xu Xinhua and Huang Shaowu (collectively referred to as the "Ultimate Controlling Shareholders"). 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 6/F, 3 Building A Area, Internet Industry Base, Xixiang, Baoyuan Road, Bao'an 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 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 to foreign investment in the PRC pursuant to the applicable PRC laws and regulations. In preparation for the Listing, the Group has adopted a series of contracts with the Ultimate Controlling 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 all of its entire economic benefits. 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 the Ultimate Controlling Shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from the Ultimate Controlling Shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of Ultimate Controlling Shareholders' obligations under the Structured Contracts.

Pursuant to the corporate reorganisation to rationalise the group structure in the preparation for the Listing (the "Corporation Reorganisation"), the Company became the holding company of the companies now comprising the Group on 4 March 2015. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. Details of the Corporate Reorganisation are set out in the Company's prospectus dated 24 December 2015 (the "Prospectus").

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2015 have been prepared as if the group structure under the Corporate Reorganisation had been in existence throughout the year ended 31 December 2015 or since their respective dates of incorporation or establishment, whichever is the shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB570,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as described above, the directors of the Company anticipated that the application of other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's consolidated financial statements.

4. REVENUE AND 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, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance.

The CODMs review the Group's profit as a whole, which is generated from the provision of mobile 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 and assets are principally derived from customers in the PRC and located in the PRC, 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

	2016	2015
	RMB'000	*RMB'000*
Interest income		
- from structured products (note a)	**1,412**	1,482
- from bank deposits	**698**	229
- from loans to third parties	**—**	93
Government grants	**1,524**	1,564
Government subsidy (note b)	**4,658**	5,024
Net foreign exchange gains	**2,833**	—
Others	**42**	34
	11,167	8,426

Notes:

(a) During the years ended 31 December 2016 and 2015, the Group entered into principal and return unprotected-structured products with banks in the PRC that were denominated in RMB and without fixed maturity period. Interest of the structured products varied depending on the performance and return of underlying investments managed by the banks. The structured products were designated as financial assets at fair value through profit or loss on initial recognition. All the structured products were purchased and redeemed during the years ended 31 December 2016 and 2015.

(b) During the year ended 31 December 2016, the relevant government authority granted one-off subsidies to the Group amounting to RMB2,080,000 and RMB2,578,000 (2015: RMB5,024,000 and nil), in relation to certain finance costs paid to the banks in prior years and research and development expenses incurred in prior years, respectively, which were recognised in the profit or loss in the year in which they became receivable.

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**7,759**	13,802

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Staff costs (including directors' emoluments)		
Salaries and other benefits	**21,576**	23,474
Retirement benefits scheme contributions	**2,718**	3,160
Total staff costs	**24,294**	26,634
Depreciation of property, plant and equipment	**6,508**	7,423
Loss on disposals of property, plant and equipment	**24**	—
Auditor's remuneration		
- Audit services	**1,572**	1,359
- Non-audit services	**117**	173
Operating lease rentals	**1,731**	2,061

8. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Current	**1,044**	8,486
Under (over)-provision in prior years	**61**	(474)
	1,105	8,012
Deferred tax	**—**	3,712
	1,105	11,724

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

Hong Kong

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

PRC

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "PRC EIT Law") which became effective on 1 January 2008, the applicable tax rate of PRC subsidiaries is 25% during the two years.

In September 2014, Shenzhen NNK, a PRC subsidiary, was qualified as a High and New Technology Enterprise by Shenzhen Technological Innovation Committee, Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation, and therefore was entitled to 15% preferential tax rate for three years starting from the year ended 31 December 2015, in accordance with the PRC EIT Law. Accordingly, the tax rate of Shenzhen NNK is 15% for both years.

In January 2016, Daily Charge Technology (Shenzhen) Limited ("Daily Charge Shenzhen"), a wholly foreign-owned enterprise of the Company, was accredited as a software enterprise by Shenzhen Software Industry Association, and therefore could enjoy an income tax exemption for two years starting from its first profit-making year and a 50% tax reduction to an income tax rate of 12.5% for the subsequent three years.

9. DIVIDENDS

No dividends were paid, declared or proposed for the year ended 31 December 2015.

A final dividend of RMB0.024 per Share in respect of the year ended 31 December 2016 (2015: nil) has been proposed by the directors and is subject to approval by shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per Share:		
- profit for the year attributable to the owners of the Company	**33,545**	26,803

	Number of shares	
	2016	*2015*
	RMB'000	*RMB'000*
Weighted average number of ordinary shares for the purpose of basic earnings per Share	**412,329**	300,000
Effect of dilutive potential ordinary shares over-allotment option from global offering	**259**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per Share	**412,588**	N/A

The basic earnings per Share is calculated based on 300,000,000 ordinary shares for the year ended 31 December 2015 on the assumption that the Corporate Reorganisation and the capitalisation of the sum of approximately US$2,950,000 (equivalent to approximately RMB19,365,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company had been effective on 1 January 2015 and the sub-division of shares on 17 April 2015 has been adjusted retrospectively.

No dilutive earnings per Share is presented for the year ended 31 December 2015 as there was no potential ordinary share in issue during that year.

11. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**69,875**	38,138

Trade receivables mainly represent receivable from financial institution in relation to the mobile top-up service which the settlement period is normally within 1 day from transaction date. For the corporate customers, the credit period was about 30-60 days granted by the Group. The Group did not hold any collateral over these balances.

Before accepting any new corporate customers, the management of the Group will base on the credit quality of the potential customers to define credit limits. Credit limits to customers are reviewed annually over these balances. Trade receivables of RMB69,643,000 (2015: RMB38,138,000) that are neither past due nor impaired have good credit quality with reference to the track record of these customers under internal assessment by the Group.

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

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**69,213**	37,697
31 to 60 days	**430**	441
Over 60 days	**232**	—
	69,875	38,138

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB232,000 (31 December 2015: nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors consider all trade receivables at the end of the reporting date are likely to be collectable under internal assessment by the Group.

As at 31 December 2016, the age of trade receivables which are past due but not impaired is over 60 days.

12. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Amounts due to third parties	**36,911**	55,055

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 ageing analysis of trade payables presented based on the invoice date at the end of respective reporting periods:

	2016	2015
	RMB'000	RMB'000
0 to 90 days	**10,513**	16,096
91 to 180 days	**3,748**	9,342
181 to 360 days	**22,650**	29,617
	36,911	55,055

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was principally engaged in providing mobile top-up services to mobile users through electronic banking systems of PRC banks, offline channels including convenience stores, mobile phone stores and other third party retailer chains, and other channels including third-party online platforms, its own websites and Wechat public account.

During the Reporting Period, due to the intensified competition in mobile top-up service industry, the Group experienced both declines in mobile top-up requests through electronic banking systems and offline channels, and average discount rate received from the PRC telecommunication operators and their distributors. The number of mobile top-up requests processed by 007ka top-up platform was approximately 178.4 million in 2016, representing a decrease of approximately 18.8% as compared with approximately 219.7 million in 2015. The gross transaction value with mobile users decreased by approximately 16.8% from approximately RMB18,446.2 million in 2015 to approximately RMB15,348.7 million in 2016. These translated into approximately 29.7% decline in the Group's revenue of approximately RMB162.6 million in 2016 when compared with approximately RMB231.4 million recorded in 2015.

In the face of such headwinds, the management has laid out detailed strategic plan to regain growth momentum. The Group made the expansion of its user base and the maintenance of its leading position in mobile top-up service industry in China a priority. During the Reporting Period, the Group continued to expand the network of banks and offline channel partners. As at 31 December 2016, the Group had cooperative relationships with 55 PRC banks, including five largest state-owned commercial banks and 10 of the 12 nation-wide joint stock commercial banks, as compared with 46 PRC banks as at 31 December 2015. The Group also collaborated with approximately 49,700 offline channel partners as at 31 December 2016, as compared with approximately 47,400 offline channel partners as at 31 December 2015.

Against the backdrop of increasing number of mobile users choosing e-commerce platforms as the preferred top-up channel, the Group actively sought cooperation opportunities with influential internet companies and leading e-commerce platforms in 2016. In the second half of 2016, the Group successfully established cooperative relationship with Baidu, Huawei and JD.com to provide mobile top-up and data usage top-up services. Also, on the back of growing demand of data usage top-up service in the PRC, the Group captured the advantage as an early mover to provide data usage top-up services. The gross transaction value for data usage top-up service through various channels including electronic banking systems of PRC banks, offline channels and other channels increased by approximately 90.3% from approximately RMB7.8 million in 2015 to approximately RMB14.9 million in 2016. The Group believes that these efforts will help to nurture a new revenue growth point for the Group in the future.

Despite the drop in gross profit, there was a decrease in expenses during the Reporting Period compared to the previous year, as no listing expenses were incurred, which led to an increase in profit attributable to owners of the Company from approximately RMB26.8 million in 2015 to approximately RMB33.5 million in 2016, representing an increase of approximately 25.2%. Such increase also attributable to the grant of income tax exemption to one of the Company's subsidiaries, Daily Charge Shenzhen for qualified as a software enterprise. In appreciation of the support from our loyal shareholders, the Board is pleased to propose a final dividend of RMB0.024 per Share for the year ended 31 December 2016.

Outlook

To solidify the Group's leading position in the mobile top-up service industry in the PRC, the Group will endeavor to continue expanding its user base by enhancing cooperation with PRC banks and expanding its service offering to maintain the mobile top-up requests through electronic banking systems. The Group will continue deepening the cooperation relationship with existing partners and actively seek further cooperation with internet companies and e-commerce platforms to capture the growth in these top-up channels, especially for data usage top-up services. Furthermore, to seize the opportunities in the development of data usage top-up business, the Group will rely on its extensive market share and specialty to expand domestic and offshore data usage top-up business to broaden its revenue streams.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB162.6 million, representing a decrease of approximately 29.7% as compared with approximately RMB231.4 million for the year ended 31 December 2015. The decrease of revenue was primarily due to the decrease in mobile top-up requests through electronic banking systems and offline channels, and the decline of average discount rate received from the PRC telecommunication operators and their distributors.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users decreased by approximately 16.8% to approximately RMB15,348.7 million for the year ended 31 December 2016 from approximately RMB18,446.2 million for the year ended 31 December 2015. The decrease was mainly due to the decline in mobile top-up requests through electronic banking systems and offline channels as an increasing number of mobile users chose to top-up via e-commerce platforms such as Wechat and Taobao. As at 31 December 2016, the gross transaction value via electronic banking systems decreased by approximately 34.6% to approximately RMB9,145.0 million for the year ended 31 December 2016 from approximately RMB13,977.4 million for the year ended 31 December 2015. The gross transaction value through offline channels decreased by approximately 50.7% to approximately RMB1,644.4 million for the year ended 31 December 2016 from approximately RMB3,335.3 million for the year ended 31 December 2015. However, the gross transaction value through other channels including third-party online platforms, the Group's own websites and Wechat public account increased by approximately 302.2% to approximately RMB4,559.2 million for the year ended 31 December 2016 from approximately RMB1,133.5 million for the year ended 31 December 2015.

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 1.3% for the year ended 31 December 2015 to approximately 1.0% for the year ended 31 December 2016. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 16.6% for the year ended 31 December 2016 as compared to the year ended 31 December 2015, which was in line with the decrease in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 29.8% to approximately RMB77.9 million for the year ended 31 December 2016 from approximately RMB110.9 million for the year ended 31 December 2015, primarily due to the decrease in the gross transaction value with mobile users.

Gross Profit and Gross Profit Margin

Gross Profit decreased by approximately 29.0% to approximately RMB82.1 million for the year ended 31 December 2016 from approximately RMB115.7 million for the year ended 31 December 2015.

The Group's overall gross margin slightly increased to approximately 50.5% for the year ended 31 December 2016 from approximately 50.0% for the year ended 31 December 2015.

Other Income and Expenses

Other income and expenses increased by approximately 32.5% to approximately RMB11.2 million for the year ended 31 December 2016 from approximately RMB8.4 million for the year ended 31 December 2015, primarily due to foreign exchange gains of approximately RMB2.8 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 37.0% to approximately RMB10.1 million for the year ended 31 December 2016 from approximately RMB7.4 million for the year ended 31 December 2015, primarily attributable to the increase in sales promotion expenses.

Administration Expenses

Administration expenses increased by approximately 5.8% to approximately RMB26.2 million for the year ended 31 December 2016 from approximately RMB24.8 million for the year ended 31 December 2015, primarily attributable to the increase in professional fee following the listing of the Company in January 2016.

Research and Development Expenses

Research and development expenses decreased by approximately 5.5% to approximately RMB14.6 million for the year ended 31 December 2016 from approximately RMB15.4 million for the year ended 31 December 2015, primarily due to the decrease in depreciation cost of computers and office equipment.

Finance Costs

Finance costs decreased by approximately 43.8% to approximately RMB7.8 million for the year ended 31 December 2016 from approximately RMB13.8 million for the year ended 31 December 2015, primarily due to the decrease in interest expenses on bank borrowings as a result of the decrease in bank borrowings.

Income Tax Expense

Income tax expense decreased by approximately 90.6% to approximately RMB1.1 million for the year ended 31 December 2016 from approximately RMB11.7 million for the year ended 31 December 2015. The decrease of income tax expense was primarily because Daily Charge Shenzhen, one of the Company's subsidiaries, was accredited as a software enterprise by Shenzhen Software Industry Association in January 2016 and is therefore entitled to an income tax exemption for two years starting from its first profit-making year and an income tax rate of 12.5% after a 50% reduction for the subsequent three years.

Profit for the Year attributable to Owners of the Company

Profit for the year attributable to owners of the Company increased by approximately 25.2% to approximately RMB33.5 million for the year ended 31 December 2016 from approximately RMB26.8 million for the year ended 31 December 2015. The increase of profit and comprehensive income attributable to owners of the Company were primarily attributable to (i) no listing expenses being incurred as compared with the listing expenses of approximately RMB24.2 million recorded in connection with global offering in 2015; (ii) the income tax exemption enjoyed by Daily Charge Shenzhen for qualified as a software enterprise in January 2016; and (iii) the decrease in finance costs of approximately RMB6.0 million.

Liquidity, Financial Resources and Capital Structure

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cash and cash equivalents	**124,719**	49,968
Restricted bank deposit	**—**	27,000
Net current assets	**230,049**	118,856
Net cash (used in) from operating activities	**155,788**	(105,951)
Net cash (used in) from financing activities	**(197,664)**	98,561

As at 31 December 2016, cash and cash equivalents of the Group was approximately RMB124.7 million, as compared with approximately RMB50.0 million as at 31 December 2015. As at 31 December 2016, the Group had no restricted bank deposit, as compared with RMB27.0 million as at 31 December 2015. The Group reported net current assets of approximately RMB230.1 million as at 31 December 2016, as compared with approximately RMB118.9 million as at 31 December 2015. The Group's current ratio was approximately 2.35 as at 31 December 2016, as compared with approximately 1.25 as at 31 December 2015.

For the year ended 31 December 2016, net cash from operating activities was approximately RMB155.8 million, as compared with net cash used in operating activities of approximately RMB106.0 million for the year ended 31 December 2015. For the year ended 31 December 2016, net cash used in financing activities was approximately RMB197.7 million, as compared with net cash from financing activities of approximately RMB98.6 million for the year ended 31 December 2015.

The bank borrowings of the Group decreased by approximately 76.8% to approximately RMB80.0 million as at 31 December 2016 from approximately RMB344.8 million as at 31 December 2015. As at 31 December 2016, the total bank borrowings, being interest-bearing bank borrowings which were dominated in Renminbi, carried interest rates ranging from 4.35% to 4.79% (31 December 2015: 1.64% to 7.00%) per annum and were repayable within one year.

As at 31 December 2016, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group decreased to approximately 0.34 from approximately 2.76 as at 31 December 2015, primarily attributable to the decrease in bank borrowings and increase in total equity of the Group.

Capital Expenditures

For the year ended 31 December 2016, the Group had capital expenditure of approximately RMB2.4 million, as compared with approximately RMB5.3 million for the year ended 31 December 2015. The above expenditure was mainly related to the purchase of motor vehicles, computers and office equipment.

Significant Investment

As at 31 December 2016, the Group did not have any significant investment.

Capital Commitments and Operating Lease Commitments

As at 31 December 2016, the Group did not have any material capital commitments. As at 31 December 2016, the Group's operating lease commitments amounted to approximately RMB0.6 million, as compared with approximately RMB1.3 million as at 31 December 2015.

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 31 December 2016, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 31 December 2016, 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 2016.

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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("**AGM**") will be held on Wednesday, 21 June 2017. Notice of the AGM will be published and despatched to the shareholders of the Company ("**Shareholders**") in due course.

DECLARATION OF FINAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

The Board recommended a final dividend of RMB0.024 per Share (2015: nil) for the year ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company on Monday, 3 July 2017 (the "**Final Dividend**"), which is subject to the approval of the Shareholders at the AGM. The Final Dividend is expected to be payable to the Shareholders on or about Monday, 17 July 2017.

Based on 415,000,000 Shares in issue as at the date of this announcement, the total amount of Final Dividend is approximately RMB 9.96 million (2015: nil), and is intended to be declared out of the share premium account of the Company (the "**Share Premium Account**").

Under section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands (the "**Companies Law**"), the share premium account may be applied by a company paying dividends to members provided that no dividend may be paid to members out of the share premium account unless, immediately following the date on which the dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. The Board confirms that with respect to payment of the Final Dividend out of Share Premium Account, the Company shall be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the Final Dividend is proposed to be paid.

The Final Dividend is intended to be paid out of the Share Premium Account pursuant to Article 24.6 of the articles of association of the Company and in accordance with the Companies Law.

Reasons for the payment of Final Dividend out of the Share Premium Account

To reward the Shareholders, the Board considers that it is appropriate to distribute the Final Dividend in recognition of their support.

Effect of the payment of Final Dividend out of the Share Premium Account

The payment of the Final Dividend out of the Share Premium Account does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

The payment of the Final Dividend out of Share Premium Account will not affect the underlying business, operations or management of the Company or the proportionate interests of the Shareholders, other than related expenses incurred which are immaterial. Save as the aforesaid expenses, the Directors consider that the payment of Final Dividend out of Share Premium Account will not have a material adverse effect on the financial position of the Company.

The payment of the Final Dividend out of the Share Premium Account is conditional upon, inter alia, the following being fulfilled:

(a) the passing of an ordinary resolution by the Shareholders to approve the payment of the Final Dividend out of the Share Premium Account; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, and immediately after the Final Dividend is paid will be, unable to pay its liabilities as they become due in the ordinary course of business.

CLOSURES OF THE REGISTER OF MEMBERS

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, 16 June 2017 to Wednesday, 21 June 2017, both days 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, 15 June 2017.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2016, the transfer books and register of members of the Company will be closed from Thursday, 29 June 2017 to Monday, 3 July 2017, both days inclusive, during which period no share transfers can be registered. In order to qualify for the entitlement to the proposed final dividend, subject to passing of the relevant resolution 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 Wednesday, 28 June 2017.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2016, the Group had 146 full-time employees. Total staff cost (including Directors' remuneration) was approximately RMB24.3 million for the year ended 31 December 2016, as compared with approximately RMB26.6 million for the year ended 31 December 2015. 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 of Hong Kong Limited (the **"Stock Exchange"**) on 7 January 2016 (the **"Listing Date"**) 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. During the period from the Listing Date to 31 December 2016, approximately HK$5.2 million of the net proceeds from the listing were utilized for general operation expense. Such utilization 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. The unutilized portion of the net proceeds were deposited in reputable banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

There was no other significant event that might affect the Group since 31 December 2016.

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

During the period commencing from the Listing Date to 31 December 2016, 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 enquires 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 period from the Listing Date to 31 December 2016.

CORPORATE GOVERNANCE CODE

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 (the **"CG Code"**) as set out in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 31 December 2016. 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, Deloitte Touche Tohmatsu, has reviewed the annual results of the Group for the year ended 31 December 2016 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 2016 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong and approved Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which 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 period between the Listing Date and up to the date of this announcement, no share options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nnk.com.hk). The 2016 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
NNK Group Limited
Huang Junmou
Chairman

Hong Kong, 22 March 2017

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.