HUIFU PAYMENT LIMITED
汇付天下有限公司

(Incorporated in the Cayman Islands with limited liability under the names of Huifu Limited and 汇付天下有限公司)

(Stock Code: 1806)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Huifu Payment Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries and operating entities (collectively referred to as the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") and audited by Ernst & Young, the independent auditor of the Company, in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board and reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018:

- The Company's revenue was RMB3,246.5 million, representing an increase of 88% as compared to last year;
- The Company's gross profit was RMB889.5 million, representing an increase of 57% as compared to last year;
- The Company's profit for the year was RMB174.6 million, representing an increase of 31% as compared to last year;
- The Company's EBITDA was RMB470.6 million, representing an increase of 55% as compared to last year;
- The Company's adjusted profit for the year was RMB262.9 million, representing an increase of 51% as compared to last year; and
- The Company's adjusted EBITDA was RMB559.0 million, representing an increase of 62% as compared to last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**3,246,493**	1,726,256
Cost of sales		**(2,357,014)**	(1,159,234)
GROSS PROFIT		**889,479**	567,022
Other income and gains	4	**32,513**	63,055
Finance income		**33,355**	61,633
Selling and distribution expenses		**(132,541)**	(94,978)
Administrative expenses		**(294,078)**	(215,853)
Research and development expenses		**(231,704)**	(130,780)
Other expenses		**(91,467)**	(65,289)
Finance costs		**(24,451)**	(22,285)
Share of profits/(losses) of associates		**3,051**	(7,129)
Net gains on financial assets at fair value through profit or loss		**4,410**	—
PROFIT BEFORE TAX	5	**188,567**	155,396
Income tax expense	6	**(14,001)**	(22,570)
PROFIT FOR THE YEAR		**174,566**	132,826
Attributable to:			
Owners of the parent		**176,065**	138,239
Non-controlling interests		**(1,499)**	(5,413)
		174,566	132,826

	Notes	Year ended 31 December **2018** *RMB'000*	2017 *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit for the year	8	**RMB0.16**	N/A
Diluted			
— For profit for the year	8	**RMB0.16**	N/A
PROFIT FOR THE YEAR		**174,566**	132,826
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**68,215**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**68,215**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**68,215**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**242,781**	132,826
Attributable to:			
Owners of the parent		**244,280**	138,239
Non-controlling interests		**(1,499)**	(5,413)
		242,781	132,826

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

		31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**864,716**	836,113
Goodwill		**—**	—
Other intangible assets		**33,830**	38,459
Investment in associates		**24,641**	354
Financial assets at fair value through profit or loss		**23,600**	—
Available-for-sale investments		**—**	11,800
Deferred tax assets		**8,250**	1,836
Total non-current assets		**955,037**	888,562
CURRENT ASSETS			
Available-for-sale investments		**—**	70,623
Inventories		**392**	2,172
Contract assets	9	**18,688**	21,288
Factoring assets		**16,722**	—
Due from management personnel		**—**	332,618
Due from related companies		**59**	334,938
Due from the then shareholder		**—**	605
Prepayments, deposits and other receivables		**5,438,750**	2,944,975
Tax recoverable		**11,469**	7,372
Financial assets at fair value through profit or loss		**219,410**	—
Restricted cash		**1,610,657**	3,216,167
Cash and cash equivalents		**1,514,966**	304,736
Total current assets		**8,831,113**	7,235,494

	Notes	31 December 2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade payables	10	**423,739**	201,114
Contract liabilities	9	**31,509**	82,450
Other payables, deposits received and accruals		**6,619,474**	6,202,314
Advances from customers		**3,165**	5,180
Due to related companies		**6,282**	511,348
Interest-bearing bank loans		**535,141**	380,315
Tax payable		**5**	108
Total current liabilities		**7,619,315**	7,382,829
NET CURRENT ASSETS		**1,211,798**	(147,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,166,835**	741,227
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**182,138**	35,000
Deferred tax liabilities		**1,102**	—
Total non-current liabilities		**183,240**	35,000
NET ASSETS		**1,983,595**	706,227
EQUITY			
Equity attributable to owners of the parent			
Share capital		**101**	—
Reserves		**1,979,243**	704,968
		1,979,344	704,968
Non-controlling interests		**4,251**	1,259
TOTAL EQUITY		**1,983,595**	706,227

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent									
	Share capital *RMB'000*	Treasury shares* *RMB'000*	Capital reserve* *RMB'000*	Share option reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Other reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2018	**—**	**—**	**497,074**	**91,256**	**42,881**	**—**	**73,757**	**704,968**	**1,259**	**706,227**
Issuance of new shares	**101**	**—**	**1,369,568**	**—**	**—**	**—**	**—**	**1,369,669**	**—**	**1,369,669**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**68,215**	**176,065**	**244,280**	**(1,499)**	**242,781**
Appropriations to statutory surplus reserve	**—**	**—**	**—**	**—**	**26,859**	**—**	**(26,859)**	**—**	**—**	**—**
Shares repurchased and cancelled	**—**	**—**	**(1,408)**	**—**	**—**	**—**	**—**	**(1,408)**	**—**	**(1,408)**
Shares repurchased but not yet cancelled	**—**	**(2,890)**	**—**	**—**	**—**	**—**	**—**	**(2,890)**	**—**	**(2,890)**
Equity-settled share option arrangements	**—**	**—**	**—**	**70,800**	**—**	**—**	**—**	**70,800**	**—**	**70,800**
Exercise of share options	**—**	**—**	**70**	**(17)**	**—**	**—**	**—**	**53**	**—**	**53**
Dividends paid to the then shareholder	**—**	**—**	**(404,716)**	**—**	**—**	**—**	**—**	**(404,716)**	**—**	**(404,716)**
Capital contribution from non-controlling shareholders of a subsidiary	**—**	**—**	**(1,412)**	**—**	**—**	**—**	**—**	**(1,412)**	**4,491**	**3,079**
As at 31 December 2018	**101**	**(2,890)**	**1,459,176**	**162,039**	**69,740**	**68,215**	**222,963**	**1,979,344**	**4,251**	**1,983,595**
As at 1 January 2017	—	—	497,074	57,562	22,461	—	(44,062)	533,035	6,672	539,707
Total comprehensive income for the year	—	—	—	—	—	—	138,239	138,239	(5,413)	132,826
Appropriations to statutory surplus reserve	—	—	—	—	20,420	—	(20,420)	—	—	—
Equity-settled share option arrangements	—	—	—	33,694	—	—	—	33,694	—	33,694
As at 31 December 2017	—	—	497,074	91,256	42,881	—	73,757	704,968	1,259	706,227

* These reserve accounts comprise the consolidated other reserves of RMB1,979,243,000 (2017: RMB704,968,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**188,567**	155,396
Adjustments for			
Finance costs		**24,451**	22,285
Share of (profits)/losses of associates		**(3,051)**	7,129
Finance income		**(33,355)**	(61,633)
Investment income on financial investments	4	**(15,734)**	(29,094)
Loss on disposal of items of property, plant and equipment	5	**58,308**	29,064
Gain on disposal of subsidiaries	4	**—**	(204)
Gain on disposal of associates	4	**—**	(1,533)
Depreciation of items of property, plant and equipment	5	**249,128**	117,174
Amortisation of other intangible assets	5	**8,451**	8,081
Impairment of contract assets	5, 9	**160**	—
Impairment of factoring assets	5	**84**	—
Impairment of other receivables	5	**17,784**	31,637
Impairment of investments in associates	5	**12,709**	—
Equity-settled share-based expense	5, 11	**70,800**	33,694
Net gains on financial assets at fair value through profit or loss		**(4,410)**	—
Decrease in inventories		**1,780**	15,816
Decrease/(increase) in contract assets		**2,440**	(15,491)
Increase in factoring assets		**(16,806)**	—
Decrease in amounts due from related companies		**1,033**	13,554
Increase in prepayments, deposits and other receivables		**(2,514,250)**	(1,646,519)
Decrease in restricted cash		**1,827,966**	561,703
Increase in trade payables		**257,290**	150,476
Decrease in contract liability		**(50,941)**	—
(Decrease)/increase in amounts due to related companies		**(13,377)**	19,576
Increase in other payables, deposits received and accruals		**661,122**	1,350,787
Decrease in advances from customers		**(2,015)**	(1,791)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash generated from operations	**728,134**	760,107
Interest received	**33,546**	61,943
Interest paid	**(18,718)**	(22,721)
Tax paid	**(23,513)**	(23,787)
Net cash flows from operating activities	**719,449**	775,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	**16,357**	28,471
Purchases of items of property, plant and equipment	**(617,463)**	(458,566)
Purchases of other intangible assets	**(2,756)**	(10,573)
Investment in associates	**(30,494)**	(48,333)
Acquisition of financial investments	**(1,542,000)**	(2,184,435)
Disposal of property, plant and equipment	**405**	691
Disposal of financial investments	**1,385,200**	2,362,536
Disposal of subsidiaries	**—**	(41)
Net cash flows used in investing activities	**(790,751)**	(310,250)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**1,412,528**	—
Exercise of share options	**53**	—
Share issue expenses	**(48,217)**	—
Dividends paid to the then shareholder	**(404,716)**	—
Capital contribution from non-controlling shareholders of a subsidiary	**3,079**	—
Advances to management personnel	**—**	(221,061)
Repayment of advances to management personnel	**332,618**	20,000
Advances to related companies	**—**	(242,907)
Repayment of advances to related companies	**333,846**	307,816
Repayment of advances to the then shareholder	**605**	—
Advances from related companies	**388,234**	976,828
Repayment of advances from related companies	**(879,923)**	(837,250)
(Increase)/decrease in restricted cash	**(222,456)**	11,098
Proceeds from interest-bearing bank and other borrowings	**1,471,918**	5,479,536
Repayment of interest-bearing bank and other borrowings	**(1,174,285)**	(5,830,569)
Payment on repurchase of shares	**(4,298)**	—
Net cash flows from/(used in) financing activities	**1,208,986**	(336,509)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,137,684**	128,783
Cash and cash equivalents at beginning of year	**304,736**	175,953
Effect of foreign exchange rate changes, net	**72,546**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,514,966**	304,736
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,477,083**	3,520,903
Non-pledged time deposits with original maturity of less than three months when acquired	**648,540**	—
Less: Restricted cash	**(1,610,657)**	(3,216,167)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	**1,514,966**	304,736

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 15 June 2018.

The Company is an investment holding company. During the year, the subsidiaries now comprising the Group were involved in the following principal activities:

- Merchant payment business

- Fintech enabling business

2.1 BASIS OF PRESENTATION

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are prohibited from the merchant payment business and the fintech enabling business (collectively "**Relevant Business**") in Mainland China. The Group historically operated its Relevant Business in Mainland China through China PnR Co., Ltd. ("**China PnR**") and its subsidiaries.

A series of contractual agreements (the "**China PnR Structured Contracts**") were effectuated among China PnR, PnR Network Technology (Shanghai) Co., Ltd. ("**PnR Network**") and Mr. ZHOU Ye, Mr. LIU Gang, Ms. MU Hai Jie, Mr. ZHANG Ge, Ms. XU Zhuo Min and Ms. CHEN Yan (collectively, the "**Registered Shareholders**") who are the legal shareholders of China PnR.

The China PnR Structured Contracts provide the Group through PnR Network with effective control over China PnR. In particular, PnR Network undertakes to provide China PnR with certain technical services as required to support their operations. In return, PnR Network is entitled to substantially all of the operating profits and residual benefits generated by China PnR through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in China PnR to PnR Network or PnR Network's designee upon a request made by PnR Network as permitted under PRC law. The ownership interests in China PnR have also been pledged by the Registered Shareholders to PnR Network in respect of the continuing obligations of China PnR. PnR Network intends continuously to provide or to assist China PnR in obtaining financial support when deemed necessary. Accordingly, PnR Network has rights to variable returns from its involvement with China PnR and has the ability to affect those returns through its power over China PnR. As a result, China PnR was accounted for as a subsidiary of the Company.

All intra-group transactions and balances have been eliminated on consolidation.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to the following standards: — IFRS 1 *First-time Adoption of International Financial Reporting Standards* — IAS 28 *Investments in Associates and Joint Ventures*

Except for the amendments to IFRS 4 and Annual Improvements 2014–2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has adopted IFRS 9 from 1 January 2018. The Group did not restate comparative information and recognised any material transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and loans included under other non-current financial assets.

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as available-for-sale (AFS) financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated other comprehensive income (OCI), was reclassified to retained earnings.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As of 1 January 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, due from related companies, due from management personnel and due from the then shareholder were transferred to debt instruments at amortised cost under IFRS 9. Available-for-sale investments under IAS 39 were transferred to equity instruments at fair value through profit or loss under IFRS 9 with no revaluation impact on the opening balance of reserves.

There was no significant impact by replacing the aggregate opening loan loss provision allowances under IAS39 with ECL allowances under IFRS 9 on financial instruments as at 1 January 2018.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group determined that there was no significant financial impact arising from these changes.

(c) IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The Group determined that there was no significant financial impact arising from the initial application of IFRS 15.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC Interpretation 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the provision of payment solution services. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Merchant payment business revenue	**3,166,923**	1,622,793
Fintech enabling business revenue	**72,713**	99,937
Others	**1,867**	751
Revenue from other sources		
Gross rental income	**4,692**	2,775
Factoring income	**298**	—
	3,246,493	1,726,256

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Type of goods or services		
Merchant payment business revenue	**3,166,923**	1,622,793
Fintech enabling business revenue	**72,713**	99,937
Others	**1,867**	751
Total revenue from contracts with customers	**3,241,503**	1,723,481
Geographical markets		
Mainland China	**3,241,503**	1,723,481
Timing of revenue recognition		
Revenue recognized at a point in time	**3,024,782**	1,673,815
Revenue recognized over time	**216,721**	49,666
Total revenue from contracts with customers	**3,241,503**	1,723,481

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Merchant payment business revenue	**82,450**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Merchant payment business revenue

The performance obligation is satisfied at a point in time for the merchant payment business except for the support service the Group provided for the operation, which is recognized over time as the Group's efforts are expended evenly throughout the period and the contract term of such service is within one year.

Fintech enabling business revenue

The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services. Fintech enabling business service contracts are for periods of three years or less.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**27,674**
More than one year	**3,835**
	31,509

The remaining performance obligations expected to be recognised in more than one year relate to the fintech enabling business that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other income and gains, net		
Gain on disposal of subsidiaries	**—**	204
Gain on disposal of associates	**—**	1,533
Investment income on financial investments	**15,734**	29,094
Government grants	**16,257**	31,802
Others	**522**	422
	32,513	63,055

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	RMB'000
Cost of merchant payment business revenue		**2,338,313**	1,140,345
Cost of fintech enabling business revenue		**12,611**	15,637
Depreciation of property, plant and equipment		**249,128**	117,174
Amortisation of other intangible assets		**8,451**	8,081
Impairment of contract assets	9	**160**	—
Impairment of factoring assets		**84**	—
Impairment of other receivables		**17,784**	31,637
Impairment of investments in associates		**12,709**	—
Loss on disposal of property, plant and equipment		**58,308**	29,064
Auditor's remuneration		**2,400**	600
Employee benefit expense (including directors' and chief Executive's remuneration):			
Wages and salaries		**272,231**	230,669
Equity-settled share option expense	11	**70,800**	33,694
Pension scheme contributions and social welfare		**63,971**	48,856
Foreign exchange differences, net		**1,128**	2,146

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group's subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are subject to the Hong Kong profit tax rate of 16.5%.

Moreover, according to the announcement and circular issued by relevant government authorities, Shanghai Payment and Remittance Data Service Co., Ltd. was certified a national key software enterprise and was therefore subject to a preferential tax rate of 10% for the years ended 31 December 2017 and 2018.

Other subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25% for the year.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**19,313**	22,714
Deferred tax	**(5,312)**	(144)
Total tax charge for the year	**14,001**	22,570

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for both years is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**188,567**	155,396
Tax calculated at the PRC statutory income tax rate of 25%	**47,142**	38,849
Different income tax rates applicable to subsidiaries	**4,183**	—
Preferential income tax rates applicable to subsidiaries	**(42,263)**	(34,086)
(Profits)/losses attributable to associates	**(763)**	1,782
Additional deduction for research and development expense	**(19,584)**	(6,737)
Expenses not deductible for tax	**15,152**	15,361
Deductible temporary differences and tax losses not recognised	**10,134**	7,401
Tax charge at the Group's effective rate	**14,001**	22,570

Tax payable in the consolidated statement of financial position represents:

	31 December	
	2018	2017
	RMB'000	*RMB'000*
Tax payable		
PRC corporate income tax	**5**	108

7. **DIVIDENDS**

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividend declared to the then shareholder	**404,716**	—

On 20 January 2018, it is resolved by the director of the Company to make two special dividends in relation to the Reorganization to PnR Holdings Limited in the amount of US$45,370,311.20 and US$17,700,000.00, respectively. The dividends have been paid by the Company on 24 January 2018 and 5 February 2018, respectively.

8. **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,070,800,925 (2017: n/a) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent entity	**176,065**	138,239
Shares		
Weighted average number of ordinary shares in the basic earnings per share calculation	**1,070,800,925**	n/a
Effect of dilution		
— weighted average number of ordinary shares:		
Share options	**59,726,601**	n/a
	1,130,527,526	n/a

9. CONTRACT ASSETS AND LIABILITIES

Contract assets

	31 December 2018 RMB'000	2017 RMB'000
Contract assets derived from:		
Merchant payment business revenue	**18,782**	21,288
Provision for impairment	**(94)**	—
	18,688	21,288

The movements in provision for impairment of contract assets are as follows:

	31 December 2018 RMB'000	2017 RMB'000
At beginning of the period	**—**	—
Impairment losses recognised	**160**	—
Amount written off	**(66)**	—
At end of the period	**94**	—

The Group has applied IFRS 9's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision ratio of 0.5% that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets are unsecured and non-interest-bearing. The carrying amounts of contract assets approximate to their fair values. An ageing analysis of the contract assets as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2018 RMB'000	2017 RMB'000
Less than 1 year	**18,674**	21,257
Over 1 year	**14**	31
	18,688	21,288

Contract liabilities

	31 December **2018** *RMB'000*	2017 *RMB'000*
Contract liabilities derived from:		
Merchant payment business revenue	**23,122**	82,450
Fintech enabling business revenue	**8,387**	—
	31,509	82,450

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December **2018** *RMB'000*	2017 *RMB'000*
Less than 1 year	**415,125**	175,096
Over 1 year	**8,614**	26,018
	423,739	201,114

The trade payables are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

11. SHARE OPTION ARRANGEMENTS

(a) Share option under the PnR Series B ESOP Plan

On 16 September 2011, the Board of Directors of PnR Holdings Limited approved the establishment of the PnR Series B ESOP Plan with the purpose of providing incentive to senior management, mid-level employees and staff contributing to the Group. The PnR Series B ESOP Plan is valid and effective for 10 years from the grant date. The maximum number of shares that may be issued by all awards under the PnR Series B ESOP Plan shall be 95,271,885 shares.

The exercise price of all granted options to senior management, mid-level employees and staff is US$0.18 per ordinary share. 10%, 15%, 20%, 25% and 30% of the shares subject to the option shall vest at the first, second, third, fourth and fifth anniversaries of the Vesting Commencement Date, respectively. The Vesting Commencement Date should be determined by grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vested. Once vested, the vested portion of the option may be exercised in whole or in part, at any time.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements in the number of the share options granted to senior management, mid-level employees and staff and their weighted average exercise prices are as follows:

	Exercise price	Number of share options Year ended 31 December 2018	2017
At the beginning of the period		**95,271,885**	95,271,885
Granted	US$0.18	**—**	—
Exercised	US$0.18	**(41,825)**	—
Forfeited	US$0.18	**(31,825)**	—
At the end of the period		**95,198,235**	95,271,885

As at 31 December 2018 and 2017, 94,968,970 and 92,866,605 outstanding options were exercisable.

The directors have used the DCF method to determine the underlying equity fair value of the Group and adopted the equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the directors with best estimate.

Based on the fair value of the underlying ordinary share, the director have used the binomial model to determine the fair value of the share option as at the grant date. Key assumptions are set out below:

	Year ended 31 December 2018	2017
Risk-free interest rate	**2.98%**	2.98%
Volatility	**37%**	37%
Dividend yield	**0%**	0%

The directors estimated the risk-free interest rate based on the yield of United States Treasury Securities with maturity close to the option life of the share option. Volatility was estimated at the grant date based on the average historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for the share option granted to senior management, mid-level employees and staffs were RMB180,000 and RMB560,000 for the years ended December 31 2018 and 2017.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the share options (the "**Expected Retention Rate**") in order to determine the amount of the share option expense charged to the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2018 and 2017, the expected retention rates for senior management were assessed to be 95% and 95%, respectively; the expected retention rates for the mid-level employees and staff were assessed to be 90% and 90%, respectively.

(b) Share option under the PnR Series C ESOP Plan

On 12 December 2017, the Board of Directors of the PnR Holdings Limited approved the establishment of the PnR Series C ESOP Plan with the purpose of providing incentive to senior management, mid-level employees and staff contributing to the Group. The PnR Series C ESOP Plan is valid and effective for 10 years from the grant date. The maximum number of shares that may be issued by all awards under the PnR Series C ESOP Plan shall be 90,320,084 shares.

The exercise price of all granted options to senior management, mid-level employees and staff is US$0.55 per ordinary share. 25%, 25%, 25% and 25% of the shares subject to the option shall vested at the first, second, third and fourth anniversaries of the Vesting Commencement Date, respectively. The Vesting Commencement Date should be determined by grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the option may be exercised in whole or in part, at any time.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movement in the number of the share options granted to senior management, mid-level employees and staff and their weighted average exercise prices are as follows:

	Exercise price	Number of share options Year ended 31 December	
		2018	2017
At the beginning of the period		**90,320,084**	—
Granted	US$0.55	**—**	90,320,084
Forfeited	US$0.55	**(984,604)**	—
At the end of the period		**89,335,480**	90,320,084

As at 31 December 2018 and 2017, 66,755,459 and 45,160,042 outstanding options were exercisable.

The directors have used the DCF method to determine the underlying equity fair value of the Group and adopted the equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the directors with best estimate.

Based on the fair value of the underlying ordinary share, the director have used the binomial model to determine the fair value of the share options as at the grant date. Key assumptions are set out below:

	Year ended 31 December	
	2018	2017
Risk-free interest rate	**2.39%**	2.39%
Volatility	**34%**	34%
Dividend yield	**0%**	0%

The directors estimated the risk-free interest rate based on the yield of United States Treasury Securities with maturity close to the option life of the share option. Volatility was estimated at the grant date based on average historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for the share option granted to senior management, mid-level employees and staff were RMB24,538,000 and RMB33,134,000 for the years ended 31 December 2018 and 2017.

The Group has to estimate the expected retention rate in order to determine the amount of the share option expense charged to the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2018 and 2017, the expected retention rate for senior management was assessed to be 95% and 95%, respectively; the expected retention rate for the mid-level or below employees was assessed to be 90% and 90%, respectively.

(c) Share option under the PnR Series D ESOP Plan

On 20 January 2018, the Board of Directors of the PnR Holdings Limited approved the establishment of the PnR Series D ESOP Plan with the purpose of providing incentive to senior management, mid-level employees and staff contributing to the Group. The PnR Series D ESOP Plan is valid and effective for 10 years from the grant date. The maximum number of shares that may be issued by all awards under the PnR Series D ESOP Plan shall be 116,331,968 shares.

The exercise prices of 80% and 20% granted options to senior management, mid-level employees and staff are US$0.7846 and HK$7.50 per ordinary share, respectively. 55%, 20%, 20% and 5% of the shares subject to the options shall vest when certain vesting conditions are met. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the option may be exercised in whole or in part, at any time.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements in the number of the share options granted to senior management, mid-level employees and staff and their weighted average exercise prices are as follows:

	Exercise price	Number of share options Year ended 31 December 2018	2017
At the beginning of the period		**—**	—
Granted	US$0.7846 or HK$7.50	**116,331,968**	—
Forfeited	US$0.7846 or HK$7.50	**—**	—
At the end of the period		**116,331,968**	—

As at 31 December 2018 and 2017, 63,982,581 and nil outstanding options were exercisable.

The directors have used the DCF method to determine the underlying equity fair value of the Group and adopted the equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the directors with best estimate.

Based on the fair value of the underlying ordinary share, the director have used the binomial model to determine the fair value of the share option as at the grant date. Key assumptions are set out below:

	Year ended 31 December 2018	2017
Risk-free interest rate	**2.64%**	n/a
Volatility	**34%**	n/a
Dividend yield	**0%**	n/a

The directors estimated the risk-free interest rate based on the yield of United States Treasury Securities with maturity close to the option life of the share option. Volatility was estimated at the grant date based on average historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for the share option granted to senior management, mid-level employees and staff were RMB46,082,000 and nil for the year ended 31 December 2018 and 2017.

The Group has to estimate the expected retention rate in order to determine the amount of the share option expense charged to the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2018, the expected retention rate for senior management was assessed to be 95%; the expected retention rate for the mid-level or below employees was assessed to be 90%.

(d) Replacement of the PnR ESOP Plans

The PnR Series B ESOP Plan, PnR Series C ESOP Plan and PnR Series D ESOP Plan are collectively called the PnR ESOP Plans.

On 20 January 2018, the Company's board of directors approved to adopt the Huifu ESOP Plans to substitute the PnR ESOP Plans. The Huifu ESOP Plans will come into effect upon the termination of the PnR ESOP Plans and, together with PnR ESOP Plans, are a total package and arrangement for the employees and the management of PnR Holdings Limited. All key items in the Huifu ESOP Plans are the same as those in the PnR ESOP Plans and therefore such arrangement was accounted for as a share option replacement.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

We remain optimistic towards the general development trend of the payment industry. Although the payment industry is still in the course of development with continuous expansion, the transformation of the industry structure is accelerating. There is a rapid increase in chance of using accounts and wallets. Moreover, digital transformation has become the development trend of the times. The integration of digitalization and various industries has brought about such creative business models as Industry 4.0, new retail, fintech and shared services. Digitalization is also reshaping the development path of the payment industry. Monumental capacity for transaction handling and operation, account system and wallet support functions for multiple scenarios, data-driven intelligential analysis and decision-making ability are bound to become core competitive edges of the payment industry in the future.

Among the customers we served, we anticipate that the demand for value-added financial services of micro and small merchants will see a continuous increase. New retail customers have a strong desire for value-added financial services, predictive marketing and digital management. There has been a keen demand among industry customers for a gradual improvement of self-developed account system and wallet application solutions. Cross-border and international customers' needs for the account service system and value-added financial services are becoming prominent.

In such technology development trend, technologies such as mobile technology, artificial intelligence, big data, cloud service, Internet of Things, social network, 5G will be widely applied and serve as the primary driver of rapid growth of the industry. Meanwhile, principles like agile development, continuous delivery and stronger emphasis on user experience and concise design are emerging as the prevalent methodology of the industry.

Faced with the industry development trend which has brought opportunities as well as challenges and the profound transformation of the digital era, we believe that payment institutions which have strong technology and operation capabilities, digital payment and account services and a rich talent pool and capital reserve will be in a better position amidst future regulatory and market conditions over a long run.

Business Overview

In 2018, the Group's matured businesses, namely micro and small merchant mobile payment business and vertical industry solutions business, maintained high growth. The number of the Group's micro and small merchants customers increased from approximately 5.8 million as of the end of 2017 to approximately 8.3 million. The number of customers in industry verticals increased from approximately 5,700 at the end of 2017 to approximately 8,700. The Group put forward its comprehensive development plan in various new businesses, which showed rapid development trend: (1) the Group continued to strengthen its in-depth cooperation with the Group's Software as a Service ("**SaaS**") providers, the number of SaaS providers cooperating with the Group grew from 10 at the end of 2017 to 137 as a result, (2) the number of accounts served by the Group increased from 27 million at the end of 2017 to 31 million, and (3) the transaction scale of the Group's cross-border business achieved a strong growth and exclusive strategic partnerships were agreed with renowned international companies.

The following table sets forth the comparative figures of payment volume processed through the different channels of the payment services of the Group for the years ended 31 December 2017 and 2018, respectively.

Unit: RMB billion

	For the years ended 31 December		
	2018	2017	**Percentage Changed**
Payment Volume			
Payment Services			
— POS services	**60.2**	55.7	8%
— Mobile POS services	**1,152.4**	603.7	91%
— Internet payment services	**368.4**	321.7	15%
— Mobile payment services	**200.1**	153.9	30%
— Cross-border payment services	**20.2**	4.9	312%
Total	**1,801.3**	1,139.9	58%

Based on the above, for the year ended 31 December 2018, the payment volume processed through different channels of the payment services of the Group amounted to approximately RMB1,801.3 billion in aggregate, representing an increase of approximately 58% as compared to the year ended 31 December 2017.

Operating Results and Analysis

Year Ended 31 December 2017 Compared to Year Ended 31 December 2018

The following table sets forth the comparative figures for the years ended 31 December 2017 and 2018, respectively.

Unit: RMB'000

	Year ended 31 December		
	2018	2017	**Percentage Changed**
Revenue	**3,246,493**	1,726,256	88%
Cost of sales	**(2,357,014)**	(1,159,234)	103%
Gross profit	**889,479**	567,022	57%
Selling and marketing expenses	**(132,541)**	(94,978)	40%
Administrative expenses	**(294,078)**	(215,853)	36%
Research and development expenses	**(231,704)**	(130,780)	77%
Finance costs	**(24,451)**	(22,285)	10%
Share of profits/(losses) of associates	**3,051**	(7,129)	(143%)
Net gains on financial assets at fair value through profit or loss	**4,410**	—	N/A
Other expenses	**(91,467)**	(65,289)	40%
Other income and gains	**65,868**	124,688	(47%)
Profit before tax	**188,567**	155,396	21%
Income tax expense	**(14,001)**	(22,570)	(38%)
Profit for the year	**174,566**	132,826	31%
Profit/(loss) attributable to			
Owners of the parent	**176,065**	138,239	27%
Non-controlling interests	**(1,499)**	(5,413)	(72%)
	174,566	132,826	31%

Non-IFRSs Financial Measures

Reconciliation of profit for the year to EBITDA and adjusted EBITDA			
EBITDA	470,597	302,936	55%
Adjusted EBITDA	558,968	344,380	62%
Reconciliation of profit for the year to adjusted net profit			
Adjusted net profit	262,937	174,270	51%

Revenue

The Group's revenue increased by around 88% to RMB3,246.5 million for the year ended 31 December 2018, compared to RMB1,726.3 million for the year ended 31 December 2017, primarily attributable to the increase in the payment volume.

The following table sets forth a breakdown of the Group's revenue into payment services and fintech enabling services for the period indicated:

Unit: RMB'000

	Year ended 31 December		
	2018	2017	**Percentage Changed**
Payment Services			
— POS services	**83,373**	68,325	22%
— Mobile POS services	**2,585,796**	1,208,193	114%
— Internet payment services	**348,781**	240,175	45%
— Mobile payment services	**118,978**	92,137	29%
— Cross-border payment services	**29,995**	13,963	115%
Sub-total	**3,166,923**	1,622,793	95%
Fintech Enabling Services	**72,713**	99,937	(27%)
Others	**6,857**	3,526	94%
Total	**3,246,493**	1,726,256	88%

The revenue of the Group primarily consists of revenue from payment services and fintech enabling services, among which, the revenue of the payment services amounted to approximately RMB3,166.9 million for the year ended 31 December 2018, representing an increase of approximately 95% as compared to the year ended 31 December 2017, primarily attributable to (i) the Group's matured businesses, namely micro and small merchant mobile payment business and industry solutions business, maintained high growth; (ii) the Group put forward its comprehensive development plan in various new businesses, which showed rapid development trend and gained bright market prospects; and (iii) a significant increase in the cross-border transaction volume processed by the Group and the improvement of user stickiness due to deepened cooperation in solutions to exports e-commerce merchants.

The revenue generated from the fintech enabling services amounted to approximately RMB72.7 million for the year ended 31 December 2018, representing a decrease of approximately 27% as compared to the year ended 31 December 2017, primarily attributable to the influence of internet finance regulation on the overall industry development. The Group as a third-party payment service provider which provides the internet financial industry solutions was affected to some extent.

Cost of Sales

The following table sets forth the cost of sales of the Group by nature for the period indicated.

Unit: RMB'000

	Year ended 31 December		
	2018	2017	**Percentage Changed**
Commission and fees	**1,638,116**	831,506	97%
Processing fee	**444,773**	189,748	134%
Depreciation of payment terminals	**225,377**	98,341	129%
Customer identification fee	**18,986**	23,689	(20%)
Cost of payment terminals	**2,192**	3,777	(42%)
Others	**27,570**	12,173	126%
Total	**2,357,014**	1,159,234	103%

The cost of sales of the Group increased by around 103% from approximately RMB1,159.2 million for the year ended 31 December 2017 to approximately RMB2,357.0 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) an increase of around 97% in the commission and fees in light of the increase of revenue of the Group as a result of the increase of the payment volume of mobile POS services customers acquired through ISOs, (ii) an increase of around 134% in processing fee due to the increased payment volume processed by the Group, and (iii) an increase of around 129% in the depreciation of payment terminals due to the increased deployment of payment terminals.

Gross Profit

The gross profit of the Group increased by around 57% from approximately RMB567.0 million for the year ended 31 December 2017 to approximately RMB889.5 million for the year ended 31 December 2018, and the overall gross profit margin of the Group decreased to 27.4% for the year ended 31 December 2018, as compared with 32.8% for the year ended 31 December 2017.

The following table sets forth a breakdown of the Group's gross profit from payment services and fintech enabling services for the period indicated:

Unit: RMB'000

	Year ended 31 December				
	2018		2017		
	Gross profit	**Gross margin**	**Gross profit**	**Gross margin**	**Percentage Changed in gross profit**
Payment Services					
— POS services	**24,657**	**29.6%**	23,097	33.8%	7%
— Mobile POS services	**553,781**	**21.4%**	252,492	20.9%	119%
— Internet payment services	**150,473**	**43.1%**	134,969	56.2%	11%
— Mobile payment services	**83,528**	**70.2%**	64,528	70.0%	29%
— Cross-border payment services	**16,171**	**53.9%**	7,363	52.7%	120%
Sub total	**828,610**	**26.2%**	482,449	29.7%	72%
Fintech Enabling Services	**60,102**	**82.7%**	84,300	84.4%	(29%)
Others	**767**	**11.2%**	273	7.8%	181%
Total	**889,479**	**27.4%**	567,022	32.8%	57%

The gross profit of the Group's payment services increased by around 72% from approximately RMB482.4 million for the year ended 31 December 2017 to approximately RMB828.6 million for the year ended 31 December 2018, and its gross profit margin decreased to 26.2% for the year ended 31 December 2018, representing a slight decrease as compared with the year ended 31 December 2017. The gross profit margins for all business lines of the Group remained stable, while the overall business scale grew rapidly. Such decrease in gross profit margin was primarily attributable to the payment services provided by mobile POS accounted for a higher percentage compared to 2017, while the gross profit margin of mobile POS services increased slightly compared to 2017.

The gross profit of the Group's fintech enabling services decrease by around 29% from approximately RMB84.3 million for the year ended 31 December 2017 to approximately RMB60.1 million for the year ended 31 December 2018, and its gross profit margin was 82.7% for the year ended 31 December 2018, representing a slight decrease as compared with the year ended 31 December 2017.

Selling and marketing expenses

The selling and marketing expenses of the Group increased by around 40% from approximately RMB95.0 million for the year ended 31 December 2017 to approximately RMB132.5 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) an increase in staff cost due to the increase of equity-settled share option expense and the increase in number of sales and marketing employees as a results of the business growth of the Group and the corresponding increase in basic salaries, and (ii) an increase in advertising and business development fees with further development of the Group's business.

Administrative expenses

The administrative expenses of the Group increased by around 36% from approximately RMB215.9 million for the year ended 31 December 2017 to approximately RMB294.1 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) an increase in staff cost due to the equity-settled share option expense and the increase in number of the administrative employees as a result of the business growth of the Group and the corresponding increase in basic salaries, and (ii) an increase in professional fees which primarily consist of professional service fees in relation to the global offering and payment to intermediaries for listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Research and development expenses

The research and development expenses of the Group increased by around 77% from approximately RMB130.8 million for the year ended 31 December 2017 to approximately RMB231.7 million for the year ended 31 December 2018. Such increase was primarily due to an increase in the number of research and development staff and an increase in R&D investments of the Group.

Finance costs

The finance costs of the Group include interest expenses on bank borrowings and other borrowings. The interest expense on bank borrowings represents the interest the Group paid to commercial banks for borrowings.

The finance costs of the Group increased by around 10% from approximately RMB22.3 million for the year ended 31 December 2017 to approximately RMB24.5 million for the year ended 31 December 2018. Such increase was primarily attributable to the loans amounted to HK$355.0 million incurred in January 2018 and US$17.7 million incurred in February 2018 and repaid in June 2018, respectively, which in turn increased the average balances of the bank borrowings of the Group.

Other expenses

The Group's other expenses primarily include (i) impairment of contract assets and other receivables, (ii) loss on disposal of property, plant and equipment, and (iii) impairment of investments in associates.

Other expenses of the Group increased by around 40% from approximately RMB65.3 million for the year ended 31 December 2017 to approximately RMB91.5 million for the year ended 31 December 2018. Such increase was primarily attributable to an increase in the normal payment terminals deterioration.

Other income and gains

The Group's other income and gains primarily includes (i) interest income of wealth management products and (ii) government subsidies.

The other income and gains of the Group decreased by around 47% from approximately RMB124.7 million for the year ended 31 December 2017 to approximately RMB65.9 million for the year ended 31 December 2018. Such decrease was primarily attributable to (i) a decrease in the Group's confirmed government subsidies (as such subsidies were granted on a case-by-case basis); (ii) a decrease in the balances of the investment products purchased by the Group and the investment income on financial assets as a result of the maturity and sale of certain investment products by the end of 2017, and (iii) a decrease in the interest income due to the centralized depository supervision requirements of reserve fund issued by the PBOC.

Income tax expense

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅), a subsidiary of the Group was certified as key software enterprise, which was entitled to preferential corporate income tax policies and subject to the statutory rate of 10%. The income tax expense of the Group decreased by around 38% from approximately RMB22.6 million for the year ended 31 December 2017 to approximately RMB14.0 million for the year ended 31 December 2018. Such decrease was primarily because certain subsidiaries of the Group were entitled to 75% deduction of R&D expenses for calculation of income tax due to the newly released finance and taxation policies in 2018.

Profit for the year

As a result of the above-mentioned reasons and changes, the profit for the year ended 31 December 2018 of the Group increased by around 31% to approximately RMB174.6 million from approximately RMB132.8 million for the same period last year.

Non-IFRSs Financial Measures

To supplement the Company's consolidated financial statements which are presented in accordance with IFRS, the Company also uses three non-IFRS measures, including EBITDA, adjusted EBITDA and adjusted profit, as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these three non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management of the Company does not consider indicative of the Company's operating performance. The Company believes that these measures provide useful information to investors and others in understanding and evaluating its consolidated results of operations in the same manner as the management of the Company. However, the presentation of EBITDA, adjusted EBITDA and adjusted profit may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and the investors and shareholders of the Company should not consider them in isolation from, or as substitute for analysis of, the Company's results of operations or financial condition as reported under IFRS.

The EBITDA is defined as profit for the year adjusted by adding income tax expense, finance costs, depreciation of property, plant and equipment and amortization of intangible assets. The adjusted EBITDA is defined as EBITDA adjusted by adding equity-settled share option expense and one-off listing expense. The adjusted profit is defined as profit for the year adjusted by adding equity-settled share option expense and one-off listing expense.

The following table reconciles the Group's EBITDA, adjusted EBITDA and adjusted net profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with the IFRS for the period indicated:

Unit: RMB'000

	Year ended 31 December		
	2018	2017	**Percentage Changed**
Reconcile of profit for the year to EBITDA and adjusted EBITDA			
Profit for the year			
Add:	**174,566**	132,826	31%
Income tax expense	**14,001**	22,570	(38%)
Finance costs	**24,451**	22,285	10%
Depreciation of property, plant and equipment	**249,128**	117,174	113%
Amortization of intangible assets	**8,451**	8,081	5%
EBITDA	**470,597**	302,936	55%
Add:			
Equity-settled share option expense	**70,800**	33,694	110%
One-off listing expense	**17,571**	7,750	127%
Adjusted EBITDA	**558,968**	344,380	62%
Profit for the year	**174,566**	132,826	31%
Add:			
Equity-settled share option expense	**70,800**	33,694	110%
One-off listing expense	**17,571**	7,750	127%
Adjusted net profit	**262,937**	174,270	51%

One-off listing expense includes fees paid to the intermediaries involved in the global offering and listing of the Company of RMB18.4 million in 2018 and exclusive of the effect of corresponding income tax of RMB0.8 million.

The EBITDA of the Group increased by around 55% from approximately RMB302.9 million for the year ended 31 December 2017 to approximately RMB470.6 million for the year ended 31 December 2018.

The adjusted EBITDA of the Group increased by around 62% from approximately RMB344.4 million for the year ended 31 December 2017 to approximately RMB559.0 million for the year ended 31 December 2018.

The adjusted net profit of the Group increased by around 51% from approximately RMB174.3 million for the year ended 31 December 2017 to approximately RMB262.9 million for the year ended 31 December 2018.

Financial Position

Current assets and liabilities and adjusted current assets and liabilities

Due to the nature of its business, the Group has a highly liquid balance sheet. Substantially all of the Group's assets and liabilities are due within one year. The Group receives, processes and transfers a significant amount of funds on behalf of its clients on a daily basis.

The following table sets forth the selected financial information from the consolidated statement of financial position of the Group as of the dates indicated.

Unit: RMB'000

	As of 31 December 2018	As of 31 December 2017	**Percentage Changed**
Current assets	**8,831,113**	7,235,494	22%
Current liabilities	**7,619,315**	7,382,829	3%
Net current assets/(liabilities)	**1,211,798**	(147,335)	(922%)
Non-current assets	**955,037**	888,562	7%
Non-current liabilities	**183,240**	35,000	424%
Total equity	**1,983,595**	706,227	181%

The Group holds client funds in segregated accounts which are payable to its clients, also known as the client reserve funds. The amount of such client reserve funds fluctuates significantly from time to time based on the clients' business activities, payment volume, timing of clearing and settlement and other external factors that are largely unrelated to the financial condition of the Group but can cause significant changes to its balance sheet. As such, the Company believes the amount of its client reserve funds is not a meaningful indicator of its current assets and liabilities. Therefore, the Group presents the adjusted current assets and liabilities in the following table to exclude the effect of client reserve funds as of the dates indicated:

Unit: RMB'000

	As of 31 December 2018	As of 31 December 2017	**Percentage Changed**
Adjusted current assets[(1)]	**1,850,030**	967,388	91%
Adjusted current liabilities[(2)]	**1,212,276**	1,621,642	(25%)
Adjusted net current assets/(liabilities)[(3)]	**637,754**	(654,254)	(197%)

Note:

(1) Adjusted current assets equal to total current assets less receivable on behalf of clients and cash received on behalf of clients.

(2) Adjusted current liabilities equal to total current liabilities less payable on behalf of clients.

(3) Adjusted net current assets/(liabilities) equal to adjusted current assets less adjusted current liabilities.

The Group's net current liabilities as of 31 December 2017 have turned into net current assets as of 31 December 2018 primarily attributable to the increase in the current assets due to the funds raised in the global offering and the profit for the year ended 31 December 2018.

The Group's restricted cash decreased by around 50% to approximately RMB1,610.7 million as of 31 December 2018 from approximately RMB3,216.2 million as of 31 December 2017, primarily attributable to a decrease in cash received on behalf of clients for internet finance platforms. In addition, the Group's restricted cash as of 31 December 2018 also included security deposits for letters of guarantee and other uses relating to its payment services, as well as time deposits pledged for long term loans.

Cash Flow Analysis

The following table sets forth the selected financial information from the consolidated statement of cash flows of the Group for the period indicated.

Unit: RMB'000

	Year ended 31 December		
	2018	2017	**Percentage Changed**
Net cash flow from operating activities	**719,449**	775,542	(7%)
Net cash flow used in investment activities	**(790,751)**	(310,250)	155%
Net cash flow from/(used in) financing activities	**1,208,986**	(336,509)	(459%)
Net increase in cash and cash equivalents	**1,137,684**	128,783	783%
Cash and cash equivalents at the beginning of the year	**304,736**	175,953	73%
Effect of foreign exchange rate changes, net	**72,546**	—	N/A
Cash and cash equivalents at the end of the year	**1,514,966**	304,736	397%

The Group's cash from operating activities mainly consists of revenue from the payment services and fintech enabling services of the Group. The Group's net cash flow from operating activities decreased by around 7% to approximately RMB719.4 million for the year ended 31 December 2018 from approximately RMB775.5 million for the year ended 31 December 2017.

The Group's cash used in investing activities mainly consists of the purchase of financial assets at fair value through profit or loss, property, plant and equipment and investment in associates. The Group's net cash flow used in investing activities increased to approximately RMB790.8 million for the year ended 31 December 2018 from approximately RMB310.3 million for the year ended 31 December 2017, primarily attributable to net cash outflow of approximately RMB156.8 million for investments in financial assets in 2018 and the cash outflow of approximately RMB617.1 million due to the purchase and disposal of properties, plants and equipment.

The Group's cash from financing activities mainly consists of the funds raised in the global offering, borrowings and payments of borrowings. The Group's net cash from financing activities increased to a cash inflow of approximately RMB1,209.0 million for the year ended 31 December 2018 from a cash outflow of approximately RMB336.5

million for the year ended 31 December 2017, primarily attributable to (i) the funds raised in the global offering and (ii) the settlement of outstanding balances due from management personnel and the outstanding balances due from related parties of non-trade nature.

Capital Structure

As of 31 December 2018, the total equity of the Group amounted to approximately RMB1,983.6 million, representing an increase of approximately RMB1,277.4 million as compared to the beginning of 2018, among which, (a) the equity interest attributable to the shareholders of the Company amounted to approximately RMB1,979.3 million, representing an increase of approximately RMB1,274.4 million as compared to the beginning of 2018, which was primarily attributable to (i) the proceeds of approximately RMB1,369.6 million from the issuance of shares in the global offering and (ii) the profit of approximately RMB176.1 million for the year ended 31 December 2018 and RMB70.8 million share option arrangement which was settled by equity and was partially offset by a special dividend of approximately US$63.1 million distributed in the first two months of 2018; (b) the equity interest of minority shareholders increased by approximately RMB3.1 million as the additional capital contribution and was partially offset by a loss of approximately RMB1.5 million due to the loss for the year ended 31 December 2018.

As of 31 December 2018, the Company had an aggregate of 1,251,075,586 issued shares. The total market capitalization of the Company was approximately HK$4,041 million (calculated based on the closing price of the shares of the Company (the "**Shares**") as of 31 December 2018).

Bank Loans

As of 31 December 2018, the aggregate balance of the Group's interest-bearing bank loans was approximately RMB717.3 million, representing an increase of approximately RMB302.0 million as compared to the beginning of 2018, primarily attributable to (i) the Non-Resident Account loan agreement entered into between the Group and Ping An Bank in January 2018 for the purpose of the offshore financing against domestic guarantee for dividend distribution, under which the ending balance of the loan amounted to HK$215.0 million as of 31 December 2018 with an interest rate of 2.3243% per annum, and (ii) the mortgage loan agreement entered into between the Group and Shanghai Pudong Development Bank Co., Ltd. in December 2018, under which the ending balance of the loan amounted to RMB192.0 million as of 31 December 2018 with an interest rate of 4.75% per annum.

Interest Rate Risk and Exchange Rate Risk

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB, and the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong

Kong dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. In November 2018, the Group entered into RMB/HKD swap agreements with a financial institution amounted to RMB200 million for one month. The arrangement has been completed by the end of 2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In 2018, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies.

Pledge of the Group's Assets

The Group pledged its assets as securities in favor of several banks to obtain certain loans. As of 31 December 2018, the total pledged assets of the Group amounted to approximately RMB425.3 million. The Group did not have any pledged assets at the beginning of 2018.

Capital Expenditures and Investment

The Group's capital expenditures primarily consist of expenditures for the purchase of property, plant and equipment, intangible assets and other long-term assets. For the year ended 31 December 2018, the capital expenditures of the Group were approximately RMB662.5 million, primarily attributable to (i) residual expenses for the purchase of payment terminals and buildings, (ii) capital contribution to investments in associates of RMB30.5 million made by the Group, and (iii) capital contribution commitment to China Nets Union Clearing Corporation (網聯清算有限公司) of RMB23.6 million made by the Company.

Future Plans for Material Investments or Capital Assets

As disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Company intends to use approximately 20% of the net proceeds from the global offering for pursuing selective acquisition of, or strategic investment in, payment technology companies, payment service providers and/or SaaS providers. The Company has been looking for proper acquisition or investment targets during its daily operations.

Contingent Liabilities

As of 31 December 2018, the Company did not have any material contingent liabilities.

Key Financial Ratios

	For the year ended 31 December	
	2018	2017
Gross margin[(1)]	**27.4%**	32.8%
Net profit margin[(2)]	**5.4%**	7.7%
Adjusted net profit margin[(3)]	**8.1%**	9.6%
EBITDA margin	**14.5%**	17.5%
Adjusted EBITDA margin[(4)]	**17.2%**	19.5%

	As of 31 December 2018	As of 31 December 2017
Gearing ratio[(5)]	**76.1%**	91.0%

Note:

(1) Gross margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals profit for the year divided by revenue and multiplied by 100%.

(3) Adjusted net profit margin equals adjusted net profit divided by revenue and multiplied by 100%.

(4) Adjusted EBITDA margin equals adjusted EBITDA divided by revenue and multiplied by 100%.

(5) Gearing ratio equals to net debt divided by the aggregate of total capital and net debt. The Group includes, within net debt, interest-bearing bank loans, trade payables, other payables, deposits received and accruals and amounts due to related companies less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

Subsequent Events

As at the date of this announcement, there are no material events subsequent to 31 December 2018 which could have a material impact on the Group's operating and financial performance.

Prospects

All-round digitalization is the core strategic direction of the Company. Our vision is the belief that technology will change the methods of payment, which will in turn connect to the scenarios; then, the scenarios will precipitate the data, which will eventually create value. It is our mission to provide payment processing and account settlement services in the digital era through our leading technology and excellent operation while protecting clients' data and assets and continue to create value for them.

To achieve our vision and mission, we shall develop three core abilities and continue to incessantly enhance our technological research and development, whilst investing in talent cultivation and capital cooperation around four main business directions.

We shall focus on four main business directions. (1) Comprehensive bankcard acquiring business will continue to expand transaction scale and satisfy the demand for value-added financial services from micro and small merchants; (2) New retail business will seize market development opportunities and continue to strengthen its in-depth cooperation with SaaS providers to refine its value-added service presence in financial technology, predictive marketing, digital operation, etc. (3) Industry-specific business will strive to satisfy customers' need for self-constructed account system and wallet application and help traditional industries including travel, logistics and supply chain to complete their digital transformation. (4) Cross-border and international business will proactively echo with the direction of the regulatory policy "payment institutions going abroad", fully expand our overseas business layout and enhance our strategic cooperation with international leading enterprises, optimizing our cross-border payment solutions.

We shall develop three core abilities. (1) We will develop the payment processing and operating ability for large amount of transactions, through which we will comprehensively increase the extensibility and adaptability of transaction processing, and continue to perfect our risk management ability, cost optimizing ability and operation service efficiency. (2) We will develop the ability to support multi-scenario account system and wallet, and the ability to support multi-scenario payment settling and value-added service functions, gradually achieving the enhancement of user experience and the construction of predictive marketing. (3) We will develop the ability of data-driven intellectual analysis and decisions, continue to improve data governance, model algorithm and data visualization as well as implement reliable protection for customer information and assets.

We will continue to enhance the research and development and application of technologies such as mobile internet, big data, artificial intelligence and cloud computing, and adhere to methodology of agile development and continuous delivery. Compiling with the technological development trends in the 5G era, we will improve user experience through multi-user and multi-screen support, thereby offering strong technological support and system protection for our digital transformation.

We shall focus on the capital cooperation with digitalized new enterprises and continue to increase our investment in talents for digital transformation. We will commence digital personnel trainings for all employees, and create an incentive system, organizational structure and authorization mechanism which is suitable for strategic development.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Under code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the period commencing from the date of listing of the Company on the Main Board of the Stock Exchange and ended on 31 December 2018 (the "**Relevant Period**"), the Company held two Board meetings in total. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. Up to the date of this announcement, the roles of chairman and chief executive officer of the Company were not separated and Mr. ZHOU Ye currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Under code provision C.3.3(e)(i) of the CG Code, the terms of reference of the Audit Committee shall include the terms that the members of the Audit Committee should liaise with the Board and senior management, and the Audit Committee must meet at least twice a year with the auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C.3.3(e)(i) of the CG Code since the Company's listing. The Audit Committee only held one meeting with the auditor during the Relevant Period. The Audit Committee will fully comply with its terms of reference.

Save as disclosed above, the Company has complied with the applicable code provisions of the CG Code during the Relevant Period.

COMPLIANCE WITH THE 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 Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Relevant Period.

The Board has also established written guidelines to regulate dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code.

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

During the Relevant Period, the Company exercised its powers under the general mandate to repurchase the Shares granted by the shareholders of the Company to the Board, which shall expire on the conclusion of the next annual general meeting of the Company (the "**Share Repurchase Plan**"), and repurchased a total of 1,673,200 Shares on the Stock Exchange at an aggregate consideration of HK$4,855,224. All of these repurchased Shares were subsequently cancelled.

The Board considers that the then trading price of the Shares did not reflect their intrinsic value and the business prospects as perceived by investors and that it presented good opportunities for the Company to repurchase Shares. The repurchases reflect the confidence of the Board and the management team in the long-term strategy and growth of the Company. Moreover, the Company believes that actively managing the capital structure and implementing the Share Repurchase Plan will optimize the Company's capital structure, enhance earnings per Share and overall shareholder return. The Board considers that the Share Repurchase Plan is in the best interest of the Company and the shareholders of the Company as a whole.

Particulars of the repurchases made by the Company are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest	Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
October 2018	**429,200**	**3.82**	**3.46**	**1,577,728**
December 2018	**1,244,000**	**2.93**	**2.60**	**3,277,496**

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Stock Exchange on 15 June 2018. The net proceeds raised from the global offering were approximately HK$1,592.5 million. During the Relevant Period, there was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at 31 December 2018, the Company has utilized HK$494.1 million of the net proceeds from the global offering. For the amounts not yet utilized, the Company will apply the remaining net proceeds in the manner set out in the Prospectus. As at the date of this announcement, other than those already disclosed in the Prospectus, there is no detailed schedule for utilization of the remaining proceeds.

The following table sets forth a breakdown of the utilization of net proceeds as at 31 December 2018:

Unit: HK$ million

	Net proceeds from the global offering	**Utilization as at 31 December 2018**	**Unutilized amount**
Enhancing technology systems and research and development capability	**477.8**	**11.4**	**466.3**
Pursuing selective acquisitions of, or strategic investments in, payment technology companies, payment service providers and/or SaaS providers	**318.5**	**12.9**	**305.6**
Investing in the Group's direct sales channel in the tier-one and tier-two cities in China, to facilitate the acquisition and the support of key clients in selected industrial verticals	**159.2**	**159.2**	**0.0**
Further recruiting and cultivating talents and continuing to offer competitive compensation to the Group's existing employees	**159.2**	**29.8**	**129.5**
Fully repaying the principal amount and interests of certain bank borrowings	**318.5**	**280.7**	**37.8**
Working capital and general corporate uses	**159.2**	**0.0**	**159.2**
Total	**1,592.5**	**494.1**	**1,098.4**

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. WANG Hengzhong, Mr. LIU Jun and Ms. ZHANG Qi. Mr. WANG Hengzhong is the chairman of the Audit Committee.

The financial information for the year ended 31 December 2018 set out in this announcement represents an extract from the consolidated financial information for the year ended 31 December 2018, which has been audited by the Group's external auditor, Ernst & Young, and reviewed by the Audit Committee.

FINIAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the annual general meeting (the "**AGM**") on Tuesday, 28 May 2019.

In order to ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive), during which period no transfer of Shares will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration 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 not later than 4:30 p.m. on Wednesday, 22 May 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKExnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.huifu.com. The 2018 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders in due course and will be published on the websites of the Company and the Stock Exchange.

By order of the Board
Huifu Payment Limited*
ZHOU Ye
Chairman

Shanghai, the PRC, 26 March 2019

As at the date of this announcement, the Board comprises Mr. ZHOU Ye, Ms. MU Haijie and Mr. JIN Yuan as Executive Directors, Mr. CHYE Chia Chow, Mr. ZHOU Joe and Mr. CHEN Zhongjue as Non-executive Directors, and Mr. LIU Jun, Mr. WANG Hengzhong and Ms. ZHANG Qi as Independent Non-executive Directors.

* *Incorporated in the Cayman Islands with limited liability under the names of Huifu Limited and 汇付天下有限公司*