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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Huifu Payment Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and operating entities (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"). The interim results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**") and reviewed by Ernst & Young, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, and by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

Results for the first half of 2019

Income statement highlights	For the six months ended 30 June **2019** *RMB'000* (unaudited)	2018 *RMB'000* (unaudited)	% Change %
Revenue	**1,869,399**	1,400,162	34%
Gross profit	**459,971**	380,461	21%
Profit for the period	**142,014**	82,078	73%
Adjusted net profit	**152,501**	149,938	2%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June 2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Revenue	*3*	**1,869,399**	1,400,162
Cost of sales		**(1,409,428)**	(1,019,701)
GROSS PROFIT		**459,971**	380,461
Other income and gains	*3*	**11,561**	8,013
Finance income		**17,927**	18,104
Selling and marketing expenses		**(115,132)**	(57,330)
Administrative expenses		**(116,233)**	(158,002)
Research and development expenses		**(122,925)**	(74,000)
Other expenses		**(9,421)**	(11,618)
Finance costs		**(10,643)**	(13,980)
Share of profits of associates		**1,322**	1,667
Net gains on financial assets at fair value through profit or loss		**28,348**	6,780
PROFIT BEFORE TAX	*4*	**144,775**	100,095
Income tax expense	*5*	**(2,761)**	(18,017)
PROFIT FOR THE PERIOD		**142,014**	82,078
Attributable to:			
Owners of the parent		**144,767**	82,731
Non-controlling interests		**(2,753)**	(653)
		142,014	82,078
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic			
— For profit for the period		**RMB0.12**	RMB0.09
— For profit from continuing operations		**RMB0.12**	RMB0.09
Diluted			
— For profit for the period		**RMB0.11**	RMB0.08
— For profit from continuing operations		**RMB0.11**	RMB0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**142,014**	82,078
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,145**	29,450
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**2,145**	29,450
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,145**	29,450
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**144,159**	111,528
Attributable to:		
Owners of the parent	**146,912**	112,181
Non-controlling interests	**(2,753)**	(653)
	144,159	111,528

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**768,184**	864,716
Right-of-use assets		**18,665**	—
Goodwill		**—**	—
Other intangible assets		**35,168**	33,830
Investment in associates		**25,963**	24,641
Financial assets at fair value through profit or loss		**23,600**	23,600
Deferred tax assets		**7,994**	8,250
Total non-current assets		**879,574**	955,037
CURRENT ASSETS			
Inventories		**74**	392
Contract assets	*8*	**23,108**	18,688
Factoring assets		**30,566**	16,722
Due from related companies		**191**	59
Prepayments, other receivables and other assets		**18,668,978**	5,438,750
Tax recoverable		**15,063**	11,469
Financial assets at fair value through profit or loss		**66,051**	219,410
Restricted cash		**2,132,820**	1,610,657
Cash and cash equivalents		**1,659,157**	1,514,966
Total current assets		**22,596,008**	8,831,113
CURRENT LIABILITIES			
Trade payables	*9*	**262,978**	423,739
Contract liabilities	*8*	**6,175**	31,509
Other payables, deposits received and accruals		**20,703,495**	6,619,474
Advances from customers		**5,165**	3,165
Due to related companies		**9,484**	6,282
Interest-bearing bank loans		**214,679**	535,141
Tax payable	*5*	**340**	5
Lease liabilities within one year		**7,426**	—
Total current liabilities		**21,209,742**	7,619,315
NET CURRENT ASSETS		**1,386,266**	1,211,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,265,840**	2,166,835

	Notes	**30 June 2019** **_RMB'000_** **(Unaudited)**	31 December 2018 _RMB'000_ (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**139,080**	182,138
Lease liabilities		**11,286**	—
Deferred tax liabilities		**—**	1,102
Total non-current liabilities		**150,366**	183,240
NET ASSETS		**2,115,474**	1,983,595
EQUITY			
Equity attributable to owners of the parent			
Share capital		**101**	101
Reserves		**2,113,875**	1,979,243
		2,113,976	1,979,344
Non-controlling interests		**1,498**	4,251
TOTAL EQUITY		**2,115,474**	1,983,595

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2019 (audited)	**101**	**(2,890)**	**1,459,176**	**162,039**	**69,740**	**68,215**	**222,963**	**1,979,344**	**4,251**	**1,983,595**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**2,145**	**144,767**	**146,912**	**(2,753)**	**144,159**
Shares cancelled	**—**	**7,834**	**(7,834)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Shares repurchased	**—**	**(26,727)**	**—**	**—**	**—**	**—**	**—**	**(26,727)**	**—**	**(26,727)**
Equity-settled share option arrangements	**—**	**—**	**—**	**10,487**	**—**	**—**	**—**	**10,487**	**—**	**10,487**
Exercise of share options	**—**	**—**	**5,272**	**(1,312)**	**—**	**—**	**—**	**3,960**	**—**	**3,960**
As at 30 June 2019 (unaudited)	**101**	**(21,783)**	**1,456,614**	**171,214**	**69,740**	**70,360**	**367,730**	**2,113,976**	**1,498**	**2,115,474**

* *As at 30 June 2019, these reserve accounts comprised the total consolidated reserves of RMB2,113,875,000 (31 December 2018: RMB1,979,243,000) in the interim condensed consolidated statement of financial position.*

	Attributable to owners of the parent								
	Share capital *RMB'000* (Unaudited)	Capital reserve* *RMB'000* (Unaudited)	Share option reserve* *RMB'000* (Unaudited)	Statutory surplus reserve* *RMB'000* (Unaudited)	Other reserve* *RMB'000* (Unaudited)	Retained profits* *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Non-controlling interests *RMB'000* (Unaudited)	Total equity *RMB'000* (Unaudited)
As at 1 January 2018 (audited)	—	497,074	91,256	42,881	—	73,757	704,968	1,259	706,227
Issuance of new shares	101	1,368,539	—	—	—	—	1,368,640	—	1,368,640
Total comprehensive income for the period	—	—	—	—	29,450	82,731	112,181	(653)	111,528
Equity-settled share option arrangements	—	—	50,289	—	—	—	50,289	—	50,289
Dividends paid to the then shareholder	—	(404,716)	—	—	—	—	(404,716)	—	(404,716)
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	3,079	3,079
As at 30 June 2018 (unaudited)	101	1,460,897	141,545	42,881	29,450	156,488	1,831,362	3,685	1,835,047

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**144,775**	100,095
Adjustments for:			
Finance costs		**10,643**	13,980
Share of profits of associates		**(1,322)**	(1,667)
Finance income		**(17,927)**	(18,104)
Investment income on financial investments	*3*	**(6,855)**	(1,897)
Loss on disposal of items of property, plant and equipment	*4*	**—**	106
Depreciation of items of property, plant and equipment	*4*	**114,523**	113,987
Depreciation of right-of-use assets	*4*	**3,092**	—
Amortisation of other intangible assets	*4*	**4,167**	4,191
Impairment of contract assets	*4,8*	**20**	115
Impairment of factoring assets	*4*	**70**	—
Impairment of other receivables	*4*	**6,970**	9,734
Equity-settled share-based expense	*4*	**10,487**	50,289
Net gains on financial assets at fair value through profit or loss		**(28,348)**	(6,780)
Decrease/(increase) in inventories		**318**	(80)
Increase in contract assets		**(4,440)**	(1,415)
Increase in factoring assets		**(13,914)**	—
Increase in amounts due from related companies		**(132)**	(1,738)
Increase in prepayments, other receivables and other assets		**(13,233,324)**	(5,535,473)
(Increase)/decrease in restricted cash		**(727,336)**	1,469,663
(Decrease)/increase in trade payables		**(128,713)**	71,656
Decrease in contract liabilities		**(25,334)**	(7,791)
Increase/(decrease) in amounts due to related companies		**3,202**	(12,443)
Increase in other payables, deposits received and accruals		**14,093,019**	3,971,728
Increase/(decrease) in advances from customers		**2,000**	(11)
Cash generated from Operations		**205,641**	218,145
Interest received		**14,053**	18,831
Interest paid		**(16,091)**	(14,588)
Tax paid		**(6,866)**	(7,658)
Net cash flows from operating activities		**196,737**	214,730

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		**11,265**	2,520
Purchases of items of property, plant and equipment		**(55,200)**	(76,410)
Proceeds from disposal of items of property, plant and equipment		**12**	282
Additions to other intangible assets		**(3,454)**	(15,875)
Investment in associates		**—**	(19,200)
Acquisition of financial investments		**(459,803)**	(1,036,080)
Disposal of financial investments		**637,100**	758,000
Net cash flows from/(used in) investing activities		**129,920**	(386,763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	1,412,528
Exercise of share options		**3,960**	—
Shares issue expenses		**—**	(43,888)
Dividends paid to the then shareholder	*6*	**—**	(404,716)
Capital contribution from non-controlling shareholders of a subsidiary		**—**	3,079
Repayment of advances to management personnel		**—**	332,618
Repayment of advances to related companies		**—**	333,346
Repayment of advances to the then shareholder		**—**	605
Advances from related companies		**—**	214,417
Repayment of advances from related companies		**—**	(706,106)
Decrease/(increase) in restricted cash		**205,173**	(15,826)
Proceeds from interest-bearing bank and other borrowings		**42,000**	863,464
Repayment from interest-bearing bank and other borrowings		**(405,520)**	(358,925)
Payment on repurchase of shares		**(26,727)**	—
Repayment of lease liabilities		**(3,497)**	—

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net cash flows (used in)/from financing activities		**(184,611)**	1,630,596
NET INCREASE IN CASH AND CASH EQUIVALENTS		**142,046**	1,458,563
Cash and cash equivalents at beginning of the period		**1,514,966**	304,736
Effect of foreign exchange rate changes, net		**2,145**	30,726
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,659,157**	1,794,025
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,225,500**	3,556,355
Non-pledged time deposits with original maturity of less than three months when acquired		**566,477**	—
Less: Restricted cash		**(2,132,820)**	(1,762,330)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF CASH FLOWS		**1,659,157**	1,794,025

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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

2. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

The Group has adopted the following new and revised IFRSs for the first time in the interim condensed consolidated financial information.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 *Operating Leases — Incentives* and SIC Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC Interpretation 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC Interpretation 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	192
Increase in total assets	192
Liabilities	
Increase in lease liabilities	192
Increase in total liabilities	192
Decrease in retained earnings	—

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	996
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments at 1 January 2019	871
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(679)
Lease liabilities as at 1 January 2019	**192**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities included within 'interest-bearing bank and other borrowings', and the movement during the period are as follows:

	Right-of-use assets	
	Buildings	**Lease liabilities**
	RMB'000	*RMB'000*
As at 1 January 2019	192	192
Additions	21,565	21,565
Depreciation expense	(3,092)	—
Interest expense	—	452
Payments	—	(3,497)
As at 30 June 2019	18,665	18,712

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Rendering of services	**1,868,151**	1,397,710
Revenue from other sources		
Gross rental income	**545**	2,452
Factoring income	**703**	—
	1,869,399	1,400,162

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or service		
Rendering of services	**1,868,151**	1,397,710
Geographical markets		
Mainland China	**1,868,151**	1,397,710
Timing of revenue recognition		
Revenue recognised at a point in time	**1,826,481**	1,321,087
Revenue recognised over time	**41,670**	76,623
Total revenue from contracts with customers	**1,868,151**	1,397,710
Other income and gains, net		
Investment income on financial investments	**6,855**	2,597
Government grants	**4,613**	5,332
Others	**93**	84
	11,561	8,013

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of rendering of services	**1,409,092**	1,016,986
Depreciation of property, plant and equipment	**114,523**	113,987
Depreciation of right-of-use assets	**3,092**	—
Amortisation of other intangible assets	**4,167**	4,191
Impairment of contract assets	**20**	115
Impairment of factoring assets	**70**	—
Impairment of other receivables	**6,970**	9,734
Loss on disposal of items of property plant and equipment	**—**	106
Auditor's remuneration	**800**	800
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	**180,257**	125,607
Equity-settled share option expense	**10,487**	50,289
Pension scheme contributions and social welfare	**41,014**	29,843
Foreign exchange differences, net	**2,199**	386

5. 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 profits tax rate of 16.5%.

Moreover, according to announcement and circular issued by the relevant government authorities, Shanghai Payment and the 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 six months ended 30 June 2018 and 2019.

Other subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax rate of 25% for the six months ended 30 June 2018 and 2019.

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	**3,607**	16,140
Deferred tax	**(846)**	1,877
Total tax charge for the period	**2,761**	18,017

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended 30 June 2018 and 2019 is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**144,775**	100,095
Tax calculated at the statutory income tax rate	**27,259**	29,919
Preferential income tax rates applicable to subsidiaries	**(17,783)**	(27,410)
Profits attributable to associates	**(330)**	(417)
Additional deduction for research and development expense	**(10,742)**	(3,349)
Expenses not deductible for tax	**1,551**	14,360
Tax losses utilised from previous periods	**(1,571)**	—
Deductible temporary differences and tax losses not recognised	**4,377**	4,914
Tax charge at the Group's effective rate	**2,761**	18,017

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tax payable		
PRC corporate income tax	**340**	5

6. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends declared to the then shareholder	**—**	404,716

On 20 January 2018, it is resolved by the Directors of the Company to make two special dividends in relation to the Reorganization to PnR Holdings Limited in the amounts 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.

7. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,250,149,258 in issue during the six months ended 30 June 2019 (six months ended 30 June 2018: 887,363,093).

The calculation of the diluted earnings per share amount is based on the profit for the period 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 period, 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:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent entity	**144,767**	82,731

	Number of shares For the six months ended 30 June	
	2019	2018
Shares		
Weighted average number of ordinary shares in the basic earnings per share calculation	**1,250,149,258**	887,363,093
Effect of dilution – weighted average number of ordinary shares:		
Share options	**56,500,690**	98,618,360
	1,306,649,948	985,981,453

8. CONTRACT ASSETS AND LIABILITIES

Contract assets

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets derived from:		
Rendering of services	**23,222**	18,782
Provision for impairment	**(114)**	(94)
	23,108	18,688

The movement in provision for impairment of contract assets is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**94**	—
Impairment losses recognised	**20**	160
Amount written off	**—**	(66)
At end of the period/year	**114**	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:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**23,024**	18,674
Over 1 year	**84**	14
	23,108	18,688

Contract liabilities

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities derived from:		
Rendering of services	**6,175**	31,509

9. TRADE PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**227,858**	415,125
Over 1 year	**35,120**	8,614
	262,978	423,739

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.

10. SHARE OPTION ARRANGEMENTS

(a) Share options under the PnR Series B Employee Stock Ownership Plans ("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 incentives 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 options 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 vest. Once vested, the vested portion of the options 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	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
At the beginning of the period/year		**95,198,235**	95,271,885
Granted	US$0.18	**—**	—
Exercised	US$0.18	**(3,209,532)**	(41,825)
Forfeited	US$0.18	**(45,455)**	(31,825)
At the end of the period/year		**91,943,248**	95,198,235

As at 30 June 2019 and 31 December 2018, 91,713,983 and 94,968,970 outstanding options, respectively, were exercisable.

The Directors have used the discounted cash flow (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 shares. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the Directors with best estimates.

Based on the fair value of the underlying ordinary shares, the Directors 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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
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 options. 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 options. Dividend yield is based on management estimation at the grant date. The total expenses recognised in the consolidated statements of profit or loss for the share options granted to senior management, mid-level employees and staff were RMB7,000 and RMB180,000 for the six months ended 30 June 2019 and the year ended 31 December 2018, respectively.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the 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 statement of profit or loss. As at 30 June 2019 and 31 December 2018, 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 options under the PnR Series C ESOP Plan

On 12 December 2017, the Board of Directors of PnR Holdings Limited approved the establishment of the PnR Series C ESOP Plan with the purpose of providing incentives 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 vest 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 options 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	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
At the beginning of the period/year		**89,335,480**	90,320,084
Granted	US$0.55	**—**	—
Forfeited	US$0.55	**(3,539,425)**	(984,604)
At the end of the period/year		**85,796,055**	89,335,480

As at 30 June 2019 and 31 December 2018, 63,216,034 and 66,755,459 outstanding options, respectively, 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 shares. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the Directors with best estimates.

Based on the fair value of the underlying ordinary share, the Directors 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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
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 options. 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 options. Dividend yield is based on management estimation at the grant date. The total expenses recognised in the consolidated statements of profit or loss for the share options granted to senior management, mid-level employees and staff were RMB4,375,000 and RMB24,538,000 for the six months ended 30 June 2019 and the year ended 31 December 2018, respectively.

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. As at 30 June 2019 and 31 December 2018, the expected retention rate for senior management was assessed to be 95% and 95%, respectively; the expected retention rate for the mid-level employees and staff was assessed to be 90% and 90%, respectively.

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

On 20 January 2018, the Board of Directors of PnR Holdings Limited approved the establishment of the PnR Series D ESOP Plan with the purpose of providing incentives 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 options 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	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
At the beginning of the period/year		**116,331,968**	—
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/year		**116,331,968**	116,331,968

As at 30 June 2019 and 31 December 2018, 63,982,581 and 63,982,581 outstanding options, respectively, 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 shares. Key assumptions, such as discount rates and projections of future performance, are required to be determined by the Directors with best estimates.

Based on the fair value of the underlying ordinary shares, the Directors 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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Risk-free interest rate	**2.64%**	2.64%
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 options. 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 options. Dividend yield is based on management estimation at the grant date. The total expenses recognised in the consolidated statements of profit or loss for the share options granted to senior management, mid-level employees and staff were RMB6,105,000 and RMB46,082,000 for the six months ended 30 June 2019 and the year ended 31 December 2018, respectively.

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. As at 30 June 2019 and 31 December 2018, the expected retention rate for senior management was assessed to be 95% and 95%, respectively; the expected retention rate for the mid-level employees and staff was assessed to be 90% and 90%, respectively.

(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 the PnR ESOP Plans, are a total package and arrangement for the employees and 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.

(e) 2019 Share award scheme

On 28 May 2019, the Board of Directors considered and approved certain key terms of a share award scheme (the "**Scheme**"). The objectives of the Scheme are to recognize and motivate the contributions by the employees and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group. The Scheme will be valid and effective for a term of 4 years commencing from the effective date, which is subject to the finalization of the Scheme. The shares in the share pool under the Scheme will be purchased from the secondary market. The maximum amount of the fund to be contributed by the Company for purchasing the shares is set at RMB400,000,000. At no time shall the trustees be holding more than 10% of the total number of shares of the Company in issue under the Scheme.

On 16 August 2019, the Scheme was adopted by the Board of Directors.

As at 30 June 2019, no shares had been granted under the Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The payment industry in China maintained a stable and healthy development. According to the statistics published by the People's Bank of China, in the first quarter of 2019, the transaction volume of internet payment and mobile payment services provided by third-party payment companies accounted for a 13.4% increase as compared to the same period of last year. The Group anticipated that the payment industry will remain steady growth in the future, with the mobile payment market maintaining relatively faster growth. Meanwhile, the industrial merger and acquisition, integration and international development will become the mainstream in the future.

Digitalization will become the key opportunity for industrial development. In the areas of SaaS service and new retail, digitalization for retail restructuring will incessantly generate new business models and medium-small-and-micro merchants' demand for private domain traffic and all-channel unified service will create bigger commercial opportunities. In the area of industrial chain payment, digitalization will go on upgrading and reforming B2B business and unification of payment, settlement and financial services will be the upcoming trend. In the area of cross-border payment, the global development of retail business continues to be upgraded with payment and financial ancillary services remaining at the early phase of development and thus the value-added services based on digital operation become material. At the same time, for different customers served by the Group, the demand for value-added services focused on credit and marketing has been growing. With the trend of technical development, the new technologies such as cloud computation, big data, artificial intelligence, 5G, block-chain and etc. bring infinite possibilities to business model innovation, helping the Group expand its business rapidly so as to better serve different customers in multiple scenarios.

Business Overview

The Group upgraded its corporate organizational structure based on the core strategy for all-round digitalization, focusing on four business directions which are integrated merchants acquiring, SaaS service, industry solution as well as cross-border & international business respectively.

Integrated merchants acquiring provides micro and small merchants with payment and financial value-added services. SaaS service mainly involves business cooperation with SaaS providers in the new retail area, providing merchants with omni-channel payment services and refining its value-added services in financial technology and digital operation, etc. Industry solution provides clients in the industrial chain with customized payment solutions and helps industries such as airline & travel service, logistics and supply chain complete their digital transformation. Cross-border & international business provides solutions to cross-border payment, financial and integrated services for domestic and overseas e-commerce.

For the six months ended 30 June 2019, the Group has actively deepened its core strategic direction of digital transformation and made continual investments revolving around its four main business lines, namely the integrated merchants acquiring, SaaS service, industry solution and cross-border & international business. (1) The Group's integrated merchants acquiring maintained a steady growth, focused on value-added financial service, achieving over 190% growth in volume of loan market place compared to the same period in the last year. (2) The Group focused on the development of SaaS service and, for the six months ended 30 June 2019, the number of the SaaS providers cooperating with the Group rose from 137 at the end of 2018 to 221. The Group strengthened capital and business cooperation with the leading intra-industrial SaaS providers such as Weimob, continued to expand the application scenarios in the industry and deployed the wallet service system, reaching 10 million transactions per day. (3) In the industry solution area, the Group actively sought famed clients such as Taikang Insurance, provided clients in the industry with customized industrial solutions and helped the traditional industries such as airline & travel service, logistics and supply chain complete their digital transformation with accumulated number of accounts served increased from 31 million at the end of 2018 to 33 million. (4) The Group's cross-border & international business grew 210% as compared to the same period in the last year and cooperated with numerous renowned domestic and overseas institutions, becoming the leading payment company that provides full-service solutions to foreign purchase in the industry.

The following table sets forth a breakdown of the Group's payment volume through four main business directions for the six months ended 30 June 2019 while restating payment volume for the six months ended 30 June 2018 for comparison:

Unit: RMB in billion

	For the six months ended 30 June		
	2019	2018	Percentage Changed
Payment Volume			
— Integrated merchants acquiring	**776.5**	572.8	36%
— SaaS service	**76.2**	5.3	1,338%
— Industry solution	**185.1**	262.5	(29%)
— Cross-border & International business	**20.8**	6.7	210%
Total	**1,058.6**	847.3	25%

Based on the above for the six months ended 30 June 2019, the payment volume through four business directions amounted to approximately RMB1,058.6 billion in aggregate, representing a growth of around 25% as compared to the same period of last year.

Operating Results and Analysis

The Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

The following table sets forth the comparative figures for the six months ended 30 June 2018 and 2019, respectively.

Unit: RMB'000

	For the six months ended 30 June		
	2019	2018	Percentage Changed
Revenues	**1,869,399**	1,400,162	34%
Cost of sales	**(1,409,428)**	(1,019,701)	38%
Gross profit	**459,971**	380,461	21%
Selling and marketing expenses	**(115,132)**	(57,330)	101%
Administrative expenses	**(116,233)**	(158,002)	(26%)
Research and development expenses	**(122,925)**	(74,000)	66%
Finance costs	**(10,643)**	(13,980)	(24%)
Finance income	**17,927**	18,104	(1%)
Share of profits of associates	**1,322**	1,667	(21%)
Fair value gains on financial assets at fair value through profit or loss	**28,348**	6,780	318%
Other expenses	**(9,421)**	(11,618)	(19%)
Other income and gains	**11,561**	8,013	44%
Profit before tax	**144,775**	100,095	45%
Income tax expense	**(2,761)**	(18,017)	(85%)
Profit for the period	**142,014**	82,078	73%
Profit attributable to			
Owners of the parent	**144,767**	82,731	75%
Non-controlling interests	**(2,753)**	(653)	322%
	142,014	82,078	73%

Non-IFRSs Financial Measures

Reconciliation of profit for the first half of the year to EBITDA			
EBITDA	**277,171**	232,253	19%
Reconciliation of profit for the first half of the year to adjusted net profit			
Adjusted net profit	**152,501**	149,938	2%

Revenues

The Group's businesses continued to expand in the first half of 2019 with a recorded revenue of approximately RMB1,869.4 million for the six months ended 30 June 2019, representing an increase of around 34% as compared to approximately RMB1,400.2 million in the same period of last year. Such increase was mainly attributable to the steady increase in payment transaction volume of integrated merchants acquiring and the rapid growth of SaaS service of the Group.

The following table sets forth a breakdown of the Group's revenue through four main business directions for the six months ended 30 June 2019 while restating the breakdown of revenue for the six months ended 30 June 2018 for comparison:

Unit: RMB'000

	For the six months ended 30 June		
	2019	2018	Percentage Changed
— Integrated merchants acquiring	**1,514,094**	1,148,716	32%
— SaaS service	**198,594**	12,252	1,521%
— Industry solution	**139,343**	224,861	(38%)
— Cross-border & International business	**17,368**	14,333	21%
Total	**1,869,399**	1,400,162	34%

The Group's revenue amounted to approximately RMB1,869.4 million during the six months ended 30 June 2019, representing an increase of around 34% as compared to approximately RMB1,400.2 million in the same period of last year, primarily owing to the fact that: (i) the Group maintained a steady growth in the mature business of integrated merchants acquiring; (ii) the Group strengthened business cooperation with the leading SaaS providers, speedily expanded the scale of quality scenarios and merchant base, which showed rapid development trend in SaaS service; (iii) an increase in the revenue from the cross-border & international business in light of the increase of transaction volume due to ongoing strengthening of corporation with numerous renowned domestic and overseas institutions and provision of full-services solutions; and (iv) as a result of the influence of internet finance regulatory policy on the overall industry development, the revenue from industry solution was affected to some extent and partially offset by the increase of the said revenue.

Cost of Sales

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

Unit: RMB'000

	For the six months ended 30 June		
	2019	2018	Percentage Changed
Commission and fees	**966,267**	752,415	28%
Processing fee	**333,100**	145,765	129%
Depreciation of payment terminals	**101,149**	102,570	(1%)
Customer identification fee	**7,936**	10,503	(24%)
Others	**976**	8,448	(88%)
Total	**1,409,428**	1,019,701	38%

The cost of sales of the Group increased by around 38% from approximately RMB1,019.7 million for the six months ended 30 June 2018 to approximately RMB1,409.4 million for the six months ended 30 June 2019. Such increase was primarily attributable to: (i) an increase of around 28% 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 acquired through ISOs; and (ii) a significant increase of about 129% in processing fee due to the increased payment volume processed, which was partially offset by the decrease in customer identification fee and other costs.

Gross Profit

The following table sets forth a breakdown of the Group's gross profit through four main business directions for the six months ended 30 June 2019 while restating the breakdown of gross profit of four main business directions for the six months ended 30 June 2018 for comparison:

Unit: RMB'000

	For the six months ended 30 June				
	2019		2018		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Percentage Changed in gross profit
— Integrated merchants acquiring	**354,294**	**23.4%**	**248,215**	21.6%	43%
— SaaS service	**30,207**	**15.2%**	**1,815**	14.8%	1,564%
— Industry solution	**65,586**	**47.1%**	**122,681**	54.6%	(47%)
— Cross-border & International business	**9,884**	**56.9%**	**7,750**	54.1%	28%
Total	**459,971**	**24.6%**	**380,461**	27.2%	21%

The Group's gross profit increased by around 21% from approximately RMB380.5 million for the six months ended 30 June 2018 to approximately RMB460.0 million for the six months ended 30 June 2019. Its overall gross profit margin amounting to 27.2% during the six months ended 30 June 2018 declined to 24.6% for the six months ended 30 June 2019. Such decrease in gross profit margin was primarily attributable to the services provided by integrated merchants acquiring and SaaS service accounted for a higher percentage compared to the same period in the last year. Meanwhile, integrated merchants acquiring and SaaS service with lower gross profit margin accounted for a slight increase as compared to the same period in the last year.

Selling and marketing expenses

The selling and marketing expenses of the Group increased by around 101% from approximately RMB57.3 million for the six months ended 30 June 2018 to approximately RMB115.1 million for the six months ended 30 June 2019. Such increase was primarily attributable to: (i) an increase in advertising and business development fees for the Group to further expand business; and (ii) an increase in staff cost mainly due to the increase in number of sales and marketing employees as a result of the business growth of the Group and the corresponding increase in basic salaries.

Administrative expenses

The administrative expenses of the Group decreased by around 26% from approximately RMB158.0 million for the six months ended 30 June 2018 to approximately RMB116.2 million for the six months ended 30 June 2019. Such decrease was primarily attributable to: (i) a decrease in professional fees which primarily consist of professional service fees in relation to the global offering and payment to professional parties for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2018; and (ii) a gradual decrease in equity-settled share option expense along with the progress of amortization.

Research and development expenses

The research and development expenses of the Group significantly increased by around 66% from approximately RMB74.0 million for the six months ended 30 June 2018 to approximately RMB122.9 million for the six months ended 30 June 2019. Such increase was primarily due to an increase in research and development investments, including an increase in the number of research and development staff as the Group's business further developed.

Finance costs

The finance costs of the Group include interest expenses on bank borrowings and interest expenses on lease liabilities. The interest expenses on bank borrowings represent the interest the Group paid to commercial banks for borrowings.

The finance costs of the Group decreased by around 24% from approximately RMB14.0 million for the six months ended 30 June 2018 to approximately RMB10.6 million for the six months ended 30 June 2019. Such decrease was primarily attributable to respective repayments of loan amount of HK$215.0 million and borrowings of RMB50.0 million in January and February 2019 respectively, which correspondingly decreased the average balances of the bank borrowing of the Group.

Fair value gains on financial assets at fair value through profit or loss

Change in fair value of investment of the Group at fair value through profit or loss increased from approximately RMB6.8 million for the six months ended 30 June 2018 to approximately RMB28.3 million for the six months ended 30 June 2019, mainly resulting from the fair value gains of equity investment.

Other expenses

The other expenses of the Group primarily include impairment of contract assets and other receivables.

The other expenses of the Group decreased by around 19% from approximately RMB11.6 million for the six months ended 30 June 2018 to approximately RMB9.4 million for the six months ended 30 June 2019. Such decrease was primarily attributable to a decrease in impairment as a result of the continuous enhancement of risk management over transactions by the Group.

Other income and gains

The Group's other income and gains mainly include: (i) interest income of wealth management products; and (ii) government grants.

The other income and gains of the Group increased by around 44% from approximately RMB8.0 million for the six months ended 30 June 2018 to approximately RMB11.6 million for the six months ended 30 June 2019. Such increase was primarily due to an increase in investment gains of financial assets from the Group's wealth management products measured at fair value through profit or loss for the period.

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法), a subsidiary of the Group was recognised as a 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 85% from approximately RMB18.0 million for the six months ended 30 June 2018 to approximately RMB2.8 million for the six months ended 30 June 2019. Such decrease was primarily because certain subsidiaries of the Group were entitled to 75% deduction of research and development expenses for calculation of income tax due to the newly released finance and taxation policies in the second half of 2018.

Profit for the period

As a result of the above-mentioned reasons and changes, the profit for the six months ended 30 June 2019 of the Company increased by around 73% to approximately RMB142.0 million from approximately RMB82.1 million for the same period in the 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 two non-IFRS measures, including EBITDA and adjusted net profits, as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these two 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 they help in the management of the Company. However, the presentation of EBITDA and adjusted net 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 (the "**Shareholders**") 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 first half of the year adjusted by adding income tax expense, finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets. The adjusted net profit is defined as profit for the first half of the year adjusted by adding equity-settled share option expense and one-off listing expenses.

The following table reconciles the Group's 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

	For the six months ended 30 June		
	2019	2018	Percentage Changed
Reconcile of profit for the first half of the year to EBITDA and adjusted net profit			
Profit for the period	**142,014**	82,078	73%
Add:			
Income tax expense	**2,761**	18,017	(85%)
Finance costs	**10,643**	13,980	(24%)
Depreciation of property, plant and equipment	**114,523**	113,987	0%
Depreciation of right-of-use assets	**3,063**	—	N/A
Amortisation of intangible assets	**4,167**	4,191	(1%)
EBITDA	**277,171**	232,253	19%
Profit for the period	**142,014**	82,078	73%
Add:			
Equity-settled share option expense	**10,487**	50,289	(79%)
One-off listing expense	**—**	17,571	N/A
Adjusted net profit	**152,501**	149,938	2%

The EBITDA of the Group increased by around 19% from approximately RMB232.3 million for the six months ended 30 June 2018 to approximately RMB277.2 million for the six months ended 30 June 2019.

The adjusted net profit of the Group increased by around 2% from approximately RMB149.9 million for the six months ended 30 June 2018 to approximately RMB152.5 million for the six months ended 30 June 2019.

Financial Position

Current assets and liabilities and adjusted current assets and liabilities

Due to the nature of its businesses, 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 30 June 2019	As of 31 December 2018	Percentage Changed
Current assets	**22,596,008**	8,831,113	156%
Current liabilities	**21,209,742**	7,619,315	178%
Net current assets	**1,386,266**	1,211,798	14%
Non-current assets	**879,574**	955,037	(8%)
Non-current liabilities	**150,366**	183,240	(18%)
Total equity	**2,115,474**	1,983,595	7%

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 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 30 June 2019	As of 31 December 2018	Percentage Changed
Adjusted current assets (1)	**1,667,128**	1,850,030	(10%)
Adjusted current liabilities (2)	**699,903**	1,212,276	(42%)
Adjusted net current assets (3)	**967,225**	637,754	52%

Notes:

(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 equal to adjusted current assets less adjusted current liabilities.

The Group's net adjusted current assets as of 30 June 2019 amounted to approximately RMB967.2 million, increased by around 52% as compared to the net adjusted current assets of approximately RMB637.8 million as of 31 December 2018, primarily due to (i) a decrease in current assets and current liabilities as a result of the Group's repayment of bank loans; and (ii) the said decrease was partially offset by the current assets as a result of the increase in profit for the six months ended 30 June 2019.

The Group's restricted cash increased by around 30% from approximately RMB1,610.7 million as of 31 December 2018 to approximately RMB2,132.8 million as of 30 June 2019, primarily attributable to an increase in client reserve funds. In addition, the Group's restricted cash as of 30 June 2019 also included security deposits for letters of guarantee and other deposits relating to its payment business.

Cash Flow Analysis

The following table sets forth the selected financial information from the consolidated statements of cash flow of the Group as of the dates indicated.

Unit: RMB'000

	For the six months ended 30 June		Percentage
	2019	2018	Changed
Net cash flow from operating activities	**196,737**	214,730	(8%)
Net cash flow from/(used in) investment activities	**129,920**	(386,763)	(134%)
Net cash flow (used in)/from financing activities	**(184,611)**	1,630,596	(111%)
Net increase in cash and cash equivalents	**142,046**	1,458,563	(90%)
Cash and cash equivalents at the beginning of the relevant period	**1,514,966**	304,736	397%
Effect of foreign exchange rate changes, net	**2,145**	30,726	(93%)
Cash and cash equivalents at the end of the relevant period	**1,659,157**	1,794,025	(8%)

The Group's cash from operating activities mainly consists of the Group's revenue. The Group's net cash flow from operating activities decreased by around 8% to approximately RMB196.8 million for the six months ended 30 June 2019 from approximately RMB214.7 million for the six months ended 30 June 2018.

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. The Group's net cash flow in investing activities increased from a net cash outflow of approximately RMB386.8 million for the six months ended 30 June 2018 to net cash inflow from investment activities of RMB129.9 million for the six months ended 30 June 2019, primarily attributable to net cash inflow from redemption of wealth management products amounting to approximately RMB188.6 million in 2019.

The Group's cash used in financing activities mainly consists of repayments of bank borrowings. The Group's net cash flow from financing activities decreased to a net cash outflow of approximately RMB184.7 million for the six months ended 30 June 2019 from a net cash inflow of approximately RMB1,630.6 million for the six months ended June 2018, primarily attributable to (i) the repayment of bank borrowings and (ii) the funds raised in the global offering as of 30 June 2018.

Capital Structure

As of 30 June 2019, the total equity of the Group amounted to approximately RMB2,115.5 million, representing an increase of approximately RMB131.9 million as compared to the beginning of 2019, among which, (a) the equity interest attributable to the Shareholders amounted to approximately RMB2,114.0 million, representing an increase of approximately RMB134.6 million as compared to the beginning of 2019, which was primarily attributable to the profit of approximately RMB144.8 million for the six months ended 30 June 2019 and approximately RMB10.5 million share option plan which was settled by equity and was partially offset by shares repurchased of approximately RMB26.7 million; and (b) the equity interest of minority Shareholders decreased by approximately RMB2.8 million due to the loss for the six months ended 30 June 2019.

As of 30 June 2019, the Company had an aggregated amount of 1,251,509,118 issued shares. The total market capitalization of the Company was HK$5,357 million (calculated based on the closing price of the shares of the Company (the "**Shares**") as of 30 June 2019).

Bank Loans

As of 30 June 2019, the aggregate balance of the Group's interest-bearing bank loans was approximately RMB353.8 million, representing a decrease of approximately RMB363.5 million as compared to that of approximately RMB717.3 million at the beginning of 2019, primarily attributable to (i) repayment of the non-resident account loan agreement entered into with Ping An Bank in January 2019, amounting to approximately HK$215.0 million with an interest rate of 2.3243% per annum; and (ii) repayment of the liquidity loan agreements of China CITIC Bank and Shanghai Bank amounting to RMB50.0 million and RMB35.0 million with interest rates of 4.80% and 5.225% per annum, in February 2019 and March 2019, respectively.

Interest Rate Risk and Exchange Rate Risk

During the six months ended 30 June 2019, the Group did not adopt any derivatives to hedge interest risk. As of 30 June 2019, approximately 89% of the borrowings were at fixed interest rate. To manage our interest rate risk, we optimise our debt portfolio from time to time.

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. The currency of the Group's cash and cash equivalents are mainly denominated in Renminbi, and others are denominated in United States dollar and Hong Kong dollar. As of 30 June 2019, the Group's borrowings are denominated in RMB. In April 2019, the Group entered into RMB/HKD swap agreements with a financial institution amounted to RMB100.0 million for one month. The arrangement has been completed by the end of June 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies.

Mortgage of the Group's Assets

As of 30 June 2019, the Group mortgaged its group assets as securities in favor of several banks to obtain certain loans. The total mortgaged group assets amounted to approximately RMB355.5 million.

Capital Expenditures and Investment

The Company's capital expenditures primarily consist of expenditures for the purchase of property, plant and equipment, intangible assets and other long-term assets. As of 30 June 2019, the capital expenditures of the Company was approximately RMB93.4 million, primarily attributable to (i) expenses for the mobile POS terminals purchased last year; and (ii) capital contribution to investment in Weimob.

Future Plans for Material Investments or Capital Assets

As disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 1 June 2018 (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 operation.

Treasury Management

Our treasury management functions undertake the responsibility of cash management, liquidity planning and control, cost-effective capital provided to the Group, liaison with banks and other related institutions, investment in financial products, as well as mitigation of all financial risks such as interest rates and foreign exchange. The design of our treasury management functions aims to coordinate with the Group's long-term and short-term demands and comply with the criteria of proper governance.

Contingent Liabilities

As of 30 June 2019, the Company did not have any material contingent liabilities.

Key Financial Ratios

	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the year ended 31 December 2018
Gross profit margin (1)	**24.6%**	27.2%	27.4%
Net profit margin (2)	**7.6%**	5.9%	5.4%
Adjusted net profit margin (3)	**8.2%**	10.7%	8.1%
EBITDA margin	**14.8%**	16.6%	14.5%
	As of 30 June 2019	As of June 30 2018	As of 31 December 2018
Gearing ratio (4)	**90.3%**	84.4%	76.0%
Adjusted gearing ratio (5)	**N/A**	7.1%	N/A

Notes:

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

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

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

(4) Gearing ratio equals to net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, 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.

(5) Adjusted gearing ratio equals to adjusted net debt divided by total capital plus adjusted net debt. The Group includes, within adjusted net debt, interest-bearing bank and other borrowings, trade payables, other payables, deposits received and accruals less payable on behalf of clients, cash and cash equivalents. Capital represents equity attributable to owners of the parent. N/A represents the adjusted gearing ratio is negative which indicates the Group is in a net cash position (i.e. has more cash and cash equivalents than its debt) which is usually taken as a good sign.

Future Prospects

I. The Company is dedicated to becoming a payment technology company in the digital era and business development potential of the Company in the future will tend to be further driven by technical innovations

II. The Company has increased and will go on increasing investments in technical research and development
   1. Research and development expense exceeded RMB120 million in the first half of 2019 accounted for a growth of over 66% compared to the same period of 2018.
   2. For the six months ended 30 June 2019, percentage of research and development employees has accounted for over 43%.
   3. Technology & data management committee has been established.

III. The technological R&D competence of the Company is positioned in the same developmental era with other global tech leaders
   1. We are tremendously capable of processing transactions with daily transaction processing capacity up to the level of a hundred million while 90% of transaction processing relies on advanced cloud computation with 99.997% transactional stability realized.
   2. We created an online payment tool in the new retailing and cross-border areas, supports API and SDK for all payment services and fabricated developer-friendly experience of ultimacy.
   3. With a thorough system for technology and methodology, we could organize project managers and full-stack engineers in a short time and achieve the products' targets quickly and successively via various automatic tools, smart development methods and DevOps.

IV. The Company will construct brand-new strategic deployment and facilitate implementation of digital comprehensively
   1. We are setting up an open platform for technology, opening up API in favour of all business segments, entrepreneurs and partners of the Company and providing different functionalities and services such as payment settlement, capital collection, accounts and value-added services, membership marketing and data analytics.
   2. We are setting up a shared service platform, form all-round connections with the clients via upgrading and rebuilding of the flow, with all business operations being automatic, flexible and measurable.
   3. We are optimizing data assets management, provide data analytics and visualizable tools surrounding decision-making, marketing and employee empowering and develop value-added services therewith.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION

As at 30 June 2019, the Group had 1,191 employees. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, increased by around 11% from approximately RMB208.4 million for the six months ended 30 June 2018 to approximately RMB231.8 million for the six months ended 30 June 2019.

In line with the performance of the Group and individual employees, the Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its employees with performance-based remuneration. On top of basic salary, the Group will reward employees with outstanding performance by way of cash bonuses, share options, honorary awards or a combination of all the above to further align the interests of the employees and the Group, to attract talented individuals, and to create long-term incentive for its employees.

The Company has adopted the pre-IPO share option scheme to provide incentives and rewards to certain eligible participants, details of which are set out in "Appendix IV — Statutory and General Information" of the Prospectus.

The Company has also adopted a share award scheme to recognise and motivate the contributions by its employees and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group. Please refer to the announcement of the Company dated 16 August 2019 for further details.

SUBSEQUENT EVENTS

There are no material events subsequent to 30 June 2019 which would materially affect the Group's operating and financial performance as of the date of this announcement.

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.

During the Reporting Period, the Company has complied with the applicable code provisions of 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 of Hong Kong Limited (the "**Listing Rules**").

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, each Director confirmed that he/she had complied with the required standards set out in the Model Code during the Reporting Period.

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

During the Reporting Period, the Company exercised its powers under the general mandate to repurchase Shares granted by the Shareholders to the Board, which shall be expired on the conclusion of the next annual general meeting of the Company (the "**Share Repurchase Plan**"), and repurchased a total of 7,610,000 Shares on the Stock Exchange at an aggregate consideration of HK$30,395,292. 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 the 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, and enhance earnings per share and the overall shareholder return. The Board considers that the Share Repurchase Plan is in the best interests of the Company and the Shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the Reporting 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 Reporting Period, there was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at 30 June 2019, the Company has utilized HK$709.4 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 30 June 2019:

Unit: HK$ million

	Net proceeds from the global offering	**Utilization as at 30 June 2019**	**Unutilized amount**
Enhancing technology systems and research and development capability	477.80	56.10	421.70
Pursuing selective acquisitions of, or strategic investments in, payment technology companies, payment service providers and/or SaaS providers	318.50	52.40	266.10
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	159.20	159.20	—
Further recruiting and cultivating talents and continuing to offer competitive compensation to the Group's existing employees	159.20	110.70	48.50
Fully repaying the principal amount and interests of certain bank borrowings	318.50	318.50	—
Working capital and general corporate uses	159.20	12.50	146.70
Total	**1,592.5**	**709.4**	**883.1**

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019.

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 six months ended 30 June 2019 set out in this announcement represents an extract from the interim condensed consolidated financial information, which is unaudited but has been reviewed by the Company's external auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee. The Audit Committee was satisfied that the Company's unaudited financial information was prepared in accordance with applicable accounting standards.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at www.huifu.com. The 2019 interim report containing all the information required by the Listing Rules will be despatched 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, 22 August 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*