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 2019

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 2019 (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 Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December 2019:

Income statement highlights	For the year ended 31 December **2019** *RMB'000* **(audited)**	2018 *RMB'000* (audited)	% Change %
Revenue	**3,683,514**	3,246,493	13%
Gross profit	**985,369**	889,479	11%
Profit for the year	**242,555**	174,566	39%
Adjusted net profit	**302,823**	262,937	15%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**Year ended 31 December 2019** *RMB'000*	2018 *RMB'000*
Revenue	*4*	**3,683,514**	3,246,493
Cost of sales		**(2,698,145)**	(2,357,014)
GROSS PROFIT		**985,369**	889,479
Other income and gains	*4*	**29,734**	32,513
Finance income		**30,646**	33,355
Selling and distribution expenses		**(200,591)**	(132,541)
Administrative expenses		**(260,288)**	(294,078)
Research and development expenses		**(305,366)**	(231,704)
Other expenses		**(15,347)**	(91,467)
Finance costs		**(18,866)**	(24,451)
Share of profits of associates		**239**	3,051
Net gains on financial assets at fair value through profit or loss		**3,927**	4,410
PROFIT BEFORE TAX	*5*	**249,457**	188,567
Income tax expense	*6*	**(6,902)**	(14,001)
PROFIT FOR THE YEAR		**242,555**	174,566
Attributable to:			
Owners of the parent		**248,995**	176,065
Non-controlling interests		**(6,440)**	(1,499)
		242,555	174,566
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit for the year	*8*	**RMB0.20**	RMB0.16
Diluted			
— For profit for the year	*8*	**RMB0.19**	RMB0.16

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**242,555**	174,566
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,406**	68,215
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**19,406**	68,215
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**19,406**	68,215
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**261,961**	242,781
Attributable to:		
Owners of the parent	**268,401**	244,280
Non-controlling interests	**(6,440)**	(1,499)
	261,961	242,781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**672,859**	864,716
Right-of-use assets		**12,935**	—
Goodwill		**—**	—
Other intangible assets		**32,586**	33,830
Investments in associates		**54,880**	24,641
Financial assets at fair value through profit or loss		**23,600**	23,600
Deferred tax assets		**15,358**	8,250
Total non-current assets		**812,218**	955,037
CURRENT ASSETS			
Inventories		**395**	392
Contract assets	*9*	**92,686**	18,688
Factoring assets		**31,235**	16,722
Due from related companies		**291**	59
Prepayments, deposits and other receivables		**5,359,145**	5,438,750
Tax recoverable		**3,661**	11,469
Financial assets at fair value through profit or loss		**63,940**	219,410
Time deposits		**219,749**	—
Restricted cash		**2,280,246**	1,610,657
Cash and cash equivalents		**1,366,816**	1,514,966
Total current assets		**9,418,164**	8,831,113

		31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
CURRENT LIABILITIES			
Trade payables	*10*	**242,115**	423,739
Contract liabilities	*9*	**907**	31,509
Other payables, deposits received and accruals		**7,606,095**	6,619,474
Advances from customers		**4,543**	3,165
Due to related companies		**11,538**	6,282
Interest-bearing bank loans		**168,547**	535,141
Tax payable		**64**	5
Lease liabilities within one year		**6,985**	—
Total current liabilities		**8,040,794**	7,619,315
NET CURRENT ASSETS		**1,377,370**	1,211,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,189,588**	2,166,835
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**120,591**	182,138
Lease liabilities		**5,882**	—
Deferred tax liabilities		**—**	1,102
Total non-current liabilities		**126,473**	183,240
NET ASSETS		**2,063,115**	1,983,595
EQUITY			
Equity attributable to owners of the parent			
Share capital		**101**	101
Treasury shares		**(220,627)**	(2,890)
Other reserves		**2,283,902**	1,982,133
		2,063,376	1,979,344
Non-controlling interests		**(261)**	4,251
TOTAL EQUITY		**2,063,115**	1,983,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Share option reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	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 year	—	—	—	—	—	19,406	248,995	268,401	(6,440)	261,961
Acquisition of non-controlling interests	—	—	(3,582)	—	—	—	—	(3,582)	(322)	(3,904)
Appropriations to statutory surplus reserve	—	—	—	—	40,528	—	(40,528)	—	—	—
Shares repurchased and cancelled	—	2,890	(29,641)	—	—	—	—	(26,751)	—	(26,751)
Equity-settled share option arrangements	—	—	—	21,129	—	—	—	21,129	—	21,129
Exercise of share options	—	—	12,807	(2,610)	—	—	—	10,197	—	10,197
Share award scheme:										
— value of employee services	—	—	39,139	—	—	—	—	39,139	—	39,139
— shares withheld for share award schemes	—	(222,751)	—	—	—	—	—	(222,751)	—	(222,751)
— exercising of awarded shares	—	2,124	(2,124)	—	—	—	—	—	—	—
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	(1,750)	—	—	—	—	(1,750)	2,250	500
As at 31 December 2019	101	(220,627)	1,474,025	180,558	110,268	87,621	431,430	2,063,376	(261)	2,063,115

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Share option reserve*	Statutory surplus reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

* These reserve accounts comprise the consolidated other reserves of RMB2,283,902,000 (2018: RMB1,982,133,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**249,457**	188,567
Adjustments for			
Finance costs		**18,866**	24,451
Share of profits of associates		**(239)**	(3,051)
Finance income		**(30,646)**	(33,355)
Investment income on financial investments	*4*	**(16,672)**	(15,734)
Loss on disposal of items of property, plant and equipment	*5*	**207**	58,308
Depreciation of items of property, plant and equipment	*5*	**228,109**	249,128
Depreciation of right-of-use assets	*5*	**6,425**	—
Amortisation of other intangible assets	*5*	**8,535**	8,451
Impairment of contract assets	*5, 9*	**373**	160
Impairment of factoring assets	*5*	**75**	84
Impairment of other receivables	*5*	**8,798**	17,784
Impairment of investments in associates	*5*	**—**	12,709
Equity-settled share option expense	*5, 11*	**21,129**	70,800
Share award schemes expense	*5, 11*	**39,139**	—
Net gains on financial assets at fair value through profit or loss		**(3,927)**	(4,410)
(Increase)/decrease in inventories		**(3)**	1,780
(Increase)/decrease in contract assets		**(74,371)**	2,440
Increase in factoring assets		**(14,588)**	(16,806)
(Increase)/decrease in amounts due from related companies		**(155)**	1,033
Decrease/(increase) in prepayments, deposits and other receivables		**73,847**	(2,514,250)
(Increase)/decrease in restricted cash		**(878,662)**	1,827,966
(Decrease)/increase in trade payables		**(146,391)**	257,290
Decrease in contract liabilities		**(30,602)**	(50,941)
Increase/(decrease) in amounts due to related companies		**5,256**	(13,377)
Increase in other payables, deposits received and accruals		**997,979**	661,122
Increase/(decrease) in advances from customers		**1,378**	(2,015)
Cash generated from operations		**463,317**	728,134
Interest received		**27,606**	33,546
Interest paid		**(24,810)**	(18,718)
Tax paid		**(7,245)**	(23,513)
Net cash flows from operating activities		**458,868**	719,449

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of time deposits with original maturity of over three months when acquired	**(219,749)**	—
Investment income received	**21,058**	16,357
Purchases of items of property, plant and equipment	**(77,487)**	(617,463)
Purchases of other intangible assets	**(6,998)**	(2,756)
Investments in associates	**(30,000)**	(30,494)
Acquisition of financial investments	**(1,911,708)**	(1,542,000)
Disposal of property, plant and equipment	**88**	405
Disposal of financial investments	**2,066,719**	1,385,200
Net cash flows used in investing activities	**(158,077)**	(790,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	1,412,528
Exercise of share options	**10,197**	53
Share issue expenses	—	(48,217)
Dividends paid to the then shareholder	—	(404,716)
Capital contribution from non-controlling shareholders of a subsidiary	**500**	3,079
Acquisition of non-controlling interests	**(3,904)**	—
Repayment of advances to management personnel	—	332,618
Advances to a related company	**(77)**	—
Repayment of advances to related companies	—	333,846
Repayment of advances to the then shareholder	—	605
Advances from related companies	—	388,234
Repayment of advances from related companies	—	(879,923)
Decrease/(increase) in restricted cash	**209,073**	(222,456)
Proceeds from interest-bearing bank and other borrowings	**132,000**	1,471,918
Repayment of interest-bearing bank and other borrowings	**(560,141)**	(1,174,285)
Shares withheld for the share award scheme	**(222,751)**	—
Payment on repurchase of shares	**(26,751)**	(4,298)
Principal portion of lease payments	**(6,493)**	—
Net cash flows (used in)/from financing activities	**(468,347)**	1,208,986

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(167,556)**	1,137,684
Cash and cash equivalents at beginning of year	**1,514,966**	304,736
Effect of foreign exchange rate changes, net	**19,406**	72,546
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,366,816**	1,514,966
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,388,944**	2,477,083
Non-pledged time deposits with original maturity of less than three months when acquired	**258,118**	648,540
Less: Restricted cash	**(2,280,246)**	(1,610,657)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	**1,366,816**	1,514,966

NOTES TO FINANCIAL STATEMENTS

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 principally involved in payment services.

2.1 BASIS OF PRESENTATION

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

A series of contractual agreements (the "**China PnR Structured Contracts**") was 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.

2.1 BASIS OF PREPARATION

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), 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 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 2019. 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 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 to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements to IFRSs 2015-2017 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) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. 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 and related interpretations.

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.

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 plant and machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

Impact 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:

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

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

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was 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

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**3,679,167**	3,241,503
Revenue from other sources		
Gross rental income	**542**	4,692
Factoring income	**3,805**	298
	3,683,514	3,246,493

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Payment services	**3,679,167**	3,241,503
Geographical market		
Mainland China	**3,679,167**	3,241,503
Timing of revenue recognition		
Revenue recognised at a point in time	**3,630,697**	3,024,782
Revenue recognised over time	**48,470**	216,721
Total revenue from contracts with customers	**3,679,167**	3,241,503

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:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Payment services	**30,602**	82,450

(ii) Performance obligations

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

The Group's performance obligations are related to payment services and other value-added services. For payment services, the performance obligation is satisfied at a point in time upon the transaction processed. The majority of the transaction service contracts do not have a fixed term. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

For other value-added services, the performance obligation is satisfied over time as services are rendered and advance are normally required before rendering the services. Some service contracts are for periods of more than one year.

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

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**628**	27,674
After one year	**279**	3,835
	907	31,509

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to other value-added services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income and gains, net		
Investment income on financial investments	**16,672**	15,734
Government grants	**11,645**	16,257
Others	**1,417**	522
	29,734	32,513

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of payment services	**2,697,164**	2,354,324
Depreciation of property, plant and equipment	**228,109**	249,128
Depreciation of right-of-use assets	**6,425**	—
Amortisation of other intangible assets	**8,535**	8,451
Impairment of contract assets	**373**	160
Impairment of factoring assets	**75**	84
Impairment of other receivables	**8,798**	17,784
Impairment of investments in associates	**—**	12,709
Loss on disposal of items of property, plant and equipment	**207**	58,308
Lease payments not included in the measurement of lease liabilities	**778**	—
Auditor's remuneration	**2,400**	2,400
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**365,057**	272,231
Equity-settled share option expense	**21,129**	70,800
Share award schemes expense	**39,139**	—
Pension scheme contributions and social welfare	**82,504**	63,971
Foreign exchange differences, net	**3,844**	1,128

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 profits 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 2018 and 2019.

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	
	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**15,112**	19,313
Deferred tax	**(8,210)**	(5,312)
Total tax charge for the year	**6,902**	14,001

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	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**249,457**	188,567
Tax calculated at the PRC statutory income tax rate of 25%	**62,364**	47,142
Different income tax rates applicable to subsidiaries	**(2,755)**	4,183
Preferential income tax rates applicable to subsidiaries	**(45,185)**	(42,263)
Profits attributable to associates	**(60)**	(763)
Additional deduction for research and development expense	**(22,274)**	(19,584)
Expenses not deductible for tax	**10,826**	15,152
Tax losses utilised from previous periods	**(2,552)**	—
Deductible temporary differences and tax losses not recognised	**6,538**	10,134
Tax charge at the Group's effective rate	**6,902**	14,001

Tax payable in the consolidated statement of financial position represents:

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Tax payable		
PRC corporate income tax	**64**	5

7. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
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 were 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 1,232,931,920 (2018: 1,070,800,925) 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	
	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent entity	**248,995**	176,065
Shares		
Weighted average number of ordinary shares in the basic earnings per share calculation	**1,232,931,920**	1,070,800,925
Effect of dilution		
— weighted average number of ordinary shares:		
Share options	**50,909,220**	59,726,601
	1,283,841,140	1,130,527,526

9. CONTRACT ASSETS AND LIABILITIES

Contract assets

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract assets derived from:		
Payment services	**93,153**	18,782
Provision for impairment	**(467)**	(94)
	92,686	18,688

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

	31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**94**	—
Impairment losses recognised	**373**	160
Amount written off	**—**	(66)
At end of the year	**467**	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	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**92,618**	18,674
After one year	**68**	14
	92,686	18,688

Contract liabilities

	31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities derived from:		
Payment services	**907**	31,509

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	
	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**231,084**	415,125
Over 1 year	**11,031**	8,614
	242,115	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.

11. SHARE OPTION ARRANGEMENTS

(a) Share options 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 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 vested 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	Number of share options Year ended 31 December	
		2019	2018
At the beginning of the year		**95,198,235**	95,271,885
Granted	US$0.18	**—**	—
Exercised	US$0.18	**(8,115,140)**	(41,825)
Forfeited	US$0.18	**(711,182)**	(31,825)
At the end of the year		**86,371,913**	95,198,235

As at 31 December 2019 and 2018, 86,371,913 and 94,968,970 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 shares. 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 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:

	Year ended 31 December	
	2019	2018
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 and other comprehensive income for the share options granted to senior management, mid-level employees and staff were RMB14,000 and RMB180,000 for the years ended 31 December 2019 and 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 and other comprehensive income. As at 31 December 2019 and 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 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 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	**Number of share options Year ended 31 December**	
		2019	2018
At the beginning of the year		**89,335,480**	90,320,084
Granted	US$0.55	**—**	—
Forfeited	US$0.55	**(8,947,603)**	(984,604)
At the end of the year		**80,387,877**	89,335,480

As at 31 December 2019 and 2018, 80,387,877 and 66,755,459 outstanding options were exercisable, respectively.

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 estimate.

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:

	Year ended 31 December	
	2019	2018
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 and other comprehensive income for the share options granted to senior management, mid-level employees and staff were RMB8,816,000 and RMB24,538,000 for the years ended 31 December 2019 and 2018.

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 2019 and 2018, 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 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	Number of share options Year ended 31 December **2019**	2018
At the beginning of the year		**116,331,968**	—
Granted	US$0.7846 or HK$7.50	**—**	116,331,968
Forfeited	US$0.7846 or HK$7.50	**(279,196)**	—
At the end of the year		**116,052,772**	116,331,968

As at 31 December 2019 and 2018, 86,969,779 and 63,982,581 outstanding options were exercisable, respectively.

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 estimate.

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:

	Year ended 31 December **2019**	2018
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 and other comprehensive income for the share options granted to senior management, mid-level employees and staff were RMB12,300,000 and RMB46,082,000 for the years ended 31 December 2019 and 2018.

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 2019, 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 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) Share award scheme

On 28 May 2019, the board of directors considered and approved certain key terms of a share award scheme (the "Share Award Scheme"). The objectives of the Share Award 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 Share Award 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.

Movements in the number of awarded shares for the year ended 31 December 2019 is as follows:

	31 December 2019
At beginning of the year	—
Granted and vested	**15,330,416**
Vested and exercised	**(767,600)**
At end of the year	**14,562,816**
Vested but not exercised as at the end of the year	**14,562,816**

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The weighted average fair value of awarded shares granted during the year ended 31 December 2019 was HK$2.84 per share (equivalent to approximately RMB2.55 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry overview

Payment industry has undergone a substantial reform. Under the impacts of establishment of NetsUnion and policy of "replacing the direct connection with banks with unified clearing platforms", UnionPay and NetsUnion, as the clearing institutions, are able to proceed all kinds of transaction payment methods, including the transfer of bankcards and wallets. As a licensed payment institution, Hufui Payment entered the industrial ecosystems of Alipay and WeChat by using the clearing and settlement systems of UnionPay and NetsUnion.

New development opportunities have emerged in the market. In the existing markets, including acquiring market, the digital operation and marketing of distribution channel chains have become the core competitiveness. Different kinds of emerging industrial environments have been developing towards a thorough digital transformation, reflecting online and offline integration and digitalization of internal operations. Besides, a large number of industry SaaS and new B2B matchmaking platforms of sectors have been emerging. For international business, the retail globalization presents considerable opportunities, which leads to the urgent needs of auxiliary systems and supports for digital payment solutions.

Business overview

We position as a digital solution provider with the focus on omni-channel payment. Under the current payment industrial pattern, clearing houses, commercial banks, wallet issuers and payment institutions have established clearer positions. Huifu Payment, as a licensed institution, can efficiently integrate diverse payment methods, including bankcards, wallets, bank accounts and cash management tools, and deliver digital omni-channel payment solutions for different types of merchants.

Our omni-channel payment product capacities have shown rapid improvement. In 2019, the number of wallet's QR-code-scanning transactions exceeded 2.4 billion, reaching the peak of 13 million transactions per day.

We made efforts to upgrade SaaS from a service provider of information and product to a transaction service provider by strengthening the digital solutions capabilities of "Payment + SaaS". In 2019, we have newly added 255 cooperative SaaS institutions with accumulated number of cooperative SaaS institutions reaching 392. Following the successful launch of "Adapay", which is a lightweight "Payment + SaaS" product, the customers' docking time has been greatly reduced from several weeks to three days, with 80% of the customers achieved automatic operating services. Our industrial solution business has been growing at a fast pace. The scale of air travel business transactions increased by more than 42%, and we established cooperation with more than 100 well-known clients in the industry chain, representing a year-on-year increase of 148% in terms of cross-border and international business payment transaction volume.

By launching digital operation services in the integrated merchants acquiring business, the operating gross margin increased by 12.7% year-on-year.

The following table sets forth a breakdown of the Group's payment volume through four main business directions for the year ended 31 December 2019 while restating payment volume for the year ended 31 December 2018 for comparison:

Unit: RMB in billion

	2019	2018	Percentage changed
Payment Volume			
— Integrated merchants acquiring	**1,532.7**	1,284.6	19%
— SaaS service	**195.9**	19.1	926%
— Industry solution	**406.5**	477.4	(15%)
— Cross-border & international business	**50.1**	20.2	148%
Total	**2,185.2**	1,801.3	21%

Based on the above for the year ended 31 December 2019, the payment volume through four business directions amounted to approximately RMB2,185.2 billion in aggregate, representing a growth of around 21% as compared to last year. Such increase was mainly attributable to integrated merchants acquiring, SaaS service and cross-border & international business. Although the scale of air travel business transactions increased by 42% year-on-year, the increase in payment volume was partly offset by industry solution as a result of the influence of internet financial regulatory policy.

Operating results and analysis

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

The following table sets forth the comparative figures for the years ended 31 December 2018 and 2019, respectively:

Unit: RMB'000

	2019	2018	Percentage changed
Revenue	**3,683,514**	3,246,493	13%
Cost of sales	**(2,698,145)**	(2,357,014)	14%
Gross Profit	**985,369**	889,479	11%
Selling and marketing expenses	**(200,591)**	(132,541)	51%
Administrative expenses	**(260,288)**	(294,078)	(11%)
Research and development expenses	**(305,366)**	(231,704)	32%
Finance costs	**(18,866)**	(24,451)	(23%)
Share of gains of associates	**239**	3,051	(92%)
Fair value gains on financial assets at fair value through profit or loss	**3,927**	4,410	(11%)
Other expenses	**(15,347)**	(91,467)	(83%)
Other income and gains	**60,380**	65,868	(8%)
Profit before tax	**249,457**	188,567	32%
Income tax expenses	**(6,902)**	(14,001)	(51%)
Profit for the year	**242,555**	174,566	39%
Profit/(loss) attribute to:			
Owners of the parent	**248,995**	176,065	41%
Non-controlling interests	**(6,440)**	(1,499)	330%
	242,555	174,566	39%
Non-IFRS Financial Measures			
Reconciliation of profit for the year to EBITDA			
EBITDA	**511,392**	470,597	9%
Reconciliation of profit for the year to adjusted net profit			
Adjusted net profit	**302,823**	262,937	15%

Revenues

The Group's businesses continued to expand in 2019 with a recorded revenue of approximately RMB3,683.5 million for the years ended 31 December 2019, representing an increase of around 13% as compared to approximately RMB3,246.5 million last year. Such increase was mainly attributable to the rapid growth in payment transaction volume of SaaS service and cross-border & international business and the steady increase in integrated merchants acquiring transactions.

The following table sets forth a breakdown of the Group's revenue through four main business directions for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018:

Unit: RMB'000

	2019	2018	Percentage changed
— Integrated merchants acquiring	**2,790,184**	2,716,431	3%
— SaaS service	**518,500**	46,708	1,010%
— Industry solution	**338,679**	453,360	(25%)
— Cross-border & international business	**36,151**	29,994	21%
Total	**3,683,514**	3,246,493	13%

The Group's revenue amounted to approximately RMB3,683.5 million for the year ended 31 December 2019, representing an increase of around 13% as compared to the year ended 31 December 2018, primarily for the reasons that: (i) revenue from the integrated merchants acquiring maintained a steady growth; (ii) the Group strengthened business cooperation with SaaS providers, and supported the digital transformation of medium-small-and-micro enterprises in terms of retail, industry chain, corporate management as well as payment and distribution service fields, moving SaaS service towards a rapid development; (iii) the Group recorded an increase in the revenue from the cross-border & international business in light of the increase of transaction volume due to the cooperation 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 the said increase of the 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

	2019	2018	Percentage changed
Commission and fees	**1,792,252**	1,638,116	9%
Processing fee	**673,595**	444,773	51%
Depreciation of payment terminals	**191,638**	225,377	(15%)
Customer identification fee	**13,697**	18,986	(28%)
Cost of payment terminals	**358**	2,192	(84%)
Others	**26,605**	27,570	(4%)
Total	**2,698,145**	2,357,014	14%

The cost of sales of the Group increased by around 14% from approximately RMB2,357.0 million for the year ended 31 December 2018 to approximately RMB2,698.1 million for the year ended 31 December 2019. Such increase was primarily attributable to: (i) an increase of around 9% 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; (ii) an increase of about 51% in processing fee due to the increased payment volume processed mainly in respect of SaaS services; and (iii) a decrease in depreciation of payment terminals mainly due to the expiration of certain depreciation of payment terminals.

Gross profit

The following table sets forth a breakdown of the Group's gross profit through four main business directions for the year ended 31 December 2019 as compared to those for the year ended 31 December 2018:

Unit: RMB'000

	2019		2018		Percentage
	Gross profit	**Gross margin**	Gross profit	Gross margin	changed in gross profit
Merchant Payment Services					
— Integrated merchants acquiring	**718,361**	**25.7%**	619,264	22.8%	16%
— SaaS service	**78,215**	**15.1%**	6,974	14.9%	1,022%
— Industry solution	**169,400**	**50.0%**	247,071	54.5%	(31%)
— Cross-border & international business	**19,393**	**53.6%**	16,170	53.9%	20%
Total	**985,369**	**26.8%**	889,479	27.4%	11%

The Group' s gross profit increased by around 11 % from approximately RMB889.5 million for the year ended 31 December 2018 to approximately RMB985.4 million for the year ended 31 December 2019. Its overall gross profit margin amounting to 27.4% during the year ended 31 December 2018 declined to 26.8% for the year ended 31 December 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 last year. Meanwhile, integrated merchants acquiring and SaaS service with lower gross profit margin accounted for an increase as compared with the year ended 31 December 2018.

Selling and marketing expenses

The selling and marketing expenses of the Group increased by around 51% from approximately RMB132.5 million for the year ended 31 December 2018 to approximately RMB200.6 million for the year ended 31 December 2019. Such increase was primarily attributable to: (i) an increase in advertising and business development fees incurred to further expand business by the Group; and (ii) an increase in staff cost mainly including the increase in basic salaries and the Company's share award scheme expense.

Administrative expenses

The administrative expenses of the Group decreased by around 11% from approximately RMB294.1 million for the year ended 31 December 2018 to approximately RMB260.3 million for the year ended 31 December 2019. Such decrease was primarily attributable to: (i) a decrease in professional fees of 2019 as compared to the professional service fees mainly 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 32% from approximately RMB231.7 million for the year ended 31 December 2018 to approximately RMB305.4 million for the year ended 31 December 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 23% from approximately RMB24.5 million for the year ended 31 December 2018 to approximately RMB18.9 million for the year ended 31 December 2019. Such decrease was primarily attributable to respective repayments of loan amount of HK$215.0 million and borrowings of RMB371.8 million, which correspondingly resulted in the decrease in the average balances of the bank borrowings 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 decreased from approximately RMB4.4 million for the year ended 31 December 2018 to approximately RMB3.9 million for the year ended 31 December 2019, mainly resulting from the fair value gains of equity investment.

Other expenses

The other expenses of the Group decreased by around 83% from approximately RMB91.5 million for the year ended 31 December 2018 to approximately RMB15.3 million for the year ended 31 December 2019. The other expense mainly include the impairment of other receivable, foreign exchange differences and loss on disposal of items of properties, plant and equipments.

Other income and gains

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

Income tax expense

Companies are subject to income tax on an individual legal entity basis. 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 51% from approximately RMB14.0 million for the year ended 31 December 2018 to approximately RMB6.9 million for the year ended 31 December 2019. Such decrease was primarily because (i) the Company recorded an increase in research and development expenses and certain subsidiaries of the Group were entitled to 75% for calculation of income tax; and (ii) subsidiaries were subject to different tax rates.

Profit for the year

As a result of the above-mentioned reasons and changes, the profit of the Group for the year ended 31 December 2019 increased by around 39% to approximately RMB242.6 million from approximately RMB174.6 million for 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 net profits, 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 they help in the management of the Company. However, the presentation of EBITDA, adjusted 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 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 EBITDA is defined as EBITDA adjusted by adding equity-settled share option expense, share award scheme expense and one-off listing expense. The adjusted net profit is defined as profit for the year adjusted by adding equity-settled share option expense, share award scheme expense and one-off listing expenses.

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

Unit: RMB'000

	For the years ended 31 December		
	2019	2018	Percentage changed
Reconcile of profit for the year to EBITDA and adjusted EBITDA profit for the year			
Profit for the year	**242,555**	174,566	39%
Add:			
Income tax expense	**6,902**	14,001	(51%)
Finance costs	**18,866**	24,451	(23%)
Depreciation of property, plant and equipment	**228,109**	249,128	(8.0%)
Depreciation of right-of-use assets	**6,425**	—	N/A
Amortisation of intangible assets	**8,535**	8,451	1%
EBITDA	**511,392**	470,597	9%
Add:			
Equity-settled share option expense	**21,129**	70,800	(70%)
Share award scheme expense	**39,139**	—	N/A
One-off listing expense	**—**	17,571	(100%)
Adjusted EBITDA	**571,660**	558,968	2%
Profit for the year	**242,555**	174,566	39%
Add:			
Equity-settled share option expense	**21,129**	70,800	(70%)
Share award scheme expense	**39,139**	—	N/A
One-off listing expense	**—**	17,571	(100%)
Adjusted net profits	**302,823**	262,937	15%

The EBITDA of the Group increased by around 9% from approximately RMB470.6 million for the year ended 31 December 2018 to approximately RMB511.4 million for the year ended 31 December 2019.

The adjusted EBITDA of the Group increased by around 2% from approximately RMB559.0 million for the year ended 31 December 2018 to approximately RMB571.7 million for the year ended 31 December 2019.

The adjusted net profit of the Group increased by around 15% from approximately RMB262.9 million for the year ended 31 December 2018 to approximately RMB302.8 million for the year ended 31 December 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 31 December 2019	As of 31 December 2018	Percentage changed
Current assets	**9,418,164**	8,831,113	7%
Current liabilities	**8,040,794**	7,619,315	6%
Net current assets	**1,377,370**	1,211,798	14%
Non-current assets	**812,218**	955,037	(15%)
Non-current liabilities	**126,473**	183,240	(31%)
Total equity	**2,063,115**	1,983,595	4%

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 31 December 2019	As of 31 December 2018	Percentage changed
Adjusted current assets(1)	**1,647,951**	1,850,030	(11%)
Adjusted current liabilities(2)	**652,375**	1,212,276	(46%)
Adjusted net current assets(3)	**995,576**	637,754	56%

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 adjusted net current assets as of 31 December 2019 amounted to approximately RMB995.6 million, increased by around 56% as compared to the adjusted net 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 year ended 31 December 2019.

The Group's restricted cash increased by around 42% from approximately RMB1,610.7 million as of 31 December 2018 to approximately RMB2,280.2 million as of 31 December 2019, primarily attributable to an increase in client reserve funds. In addition, the Group's restricted cash as of 31 December 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 for the years indicated:

Unit: RMB'000

	2019	2018	Percentage changed
Net cash flow generated from operating activities	**458,868**	719,449	(36%)
Net cash flow used in investment activities	**(158,077)**	(790,751)	(80%)
Net cash flow (used in)/generated from financing activities	**(468,347)**	1,208,986	(139%)
Net (decrease)/increase in cash and cash equivalents	**(167,556)**	1,137,684	(115%)
Cash and cash equivalents at the beginning of the relevant year	**1,514,966**	304,736	397%
Effect of foreign exchange rate changes, net	**19,406**	72,546	(73%)
Cash and cash equivalents at the end of the relevant year	**1,366,816**	1,514,966	(10%)

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 36% to approximately RMB458.9 million for the year ended 31 December 2019 from approximately RMB719.4 million for the year ended 31 December 2018.

The Group's cash used in investment activities mainly consists of the purchase of financial assets at fair value through profit or loss, property, plant and equipment and increase in placement of time deposits with original maturity of over three months. The Group's net cash flow in investment activities decreased from a net cash outflow of approximately RMB790.8 million for the year ended 31 December 2018 to net cash outflow from investment activities of RMB158.1 million for the year ended 31 December 2019, primarily attributable to net cash outflow used in investment activities and cash outflow used in purchases of items of property, plant and equipment amounting to approximately RMB617.1 million in 2018 while cash outflow used in cash outflow used in purchases of items of property, plant and equipment amounting to approximately RMB77.6 million in 2019.

The Group's cash used in financing activities mainly consists of repayments of bank borrowings and payment on repurchase of shares. The Group's net cash flow from financing activities decreased to a net cash outflow of approximately RMB468.3 million for the year ended 31 December 2019 from a net cash inflow of approximately RMB1209.0 million for the year ended 31 December 2018, primarily attributable to (i) the repayment of bank borrowings, (ii) the payment on repurchase of shares while (iii) the funds raised in the global offering in 2018.

Capital structure

As of 31 December 2019, the total equity of the Group amounted to approximately RMB2,063.1 million, representing an increase of approximately RMB79.5 million as compared to the beginning of 2019, among which, (a) the equity interest attributable to the Shareholders amounted to approximately RMB2,063.4 million, representing an increase of approximately RMB84.1 million as compared to the beginning of 2019, which was primarily attributable to the profit of approximately RMB249.0 million for the year ended 31 December 2019 and the capital reserve of approximately RMB21.1 million in respect of the pre-IPO share option scheme of the Company and the capital reserve of approximately RMB39.1 million in respect of the share award scheme, and was partially offset by the repurchase of shares of the Company (the "**Shares**") of RMB29.6 million and of approximately RMB222.8 million under the share award scheme of the Company; and (b) the equity interest of minority Shareholders decreased by approximately RMB6.4 million due to the loss for the year ended 31 December 2019.

As of 31 December 2019, the Company had an aggregated amount of 1,250,336,326 issued shares. The total market capitalization of the Company was HK$3,113.3 million (calculated based on the closing price of the Shares as of 31 December 2019).

Bank loans

As of 31 December 2019, the aggregate balance of the Group's interest-bearing bank loans was approximately RMB289.1 million, representing a decrease of approximately RMB428.1 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 Jiang Su Bank and China CITTC Bank amounting to RMB98.0 million and RMB50.0 million with interest rates of 4.9155% and 4.80% per annum, in November 2019 and February 2019, respectively.

Interest rate risk and exchange rate risk

During the year ended 31 December 2019, the Group did not adopt any derivatives to hedge interest risk. As of 31 December 2019, approximately 79% 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 31 December 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 a term of one month. In July 2019 and October 2019, the Group entered into RMB/USD swap agreements with a financial institution amounted to USD15 million and USD10 million for a term of 3 months. The arrangement has been completed by the end of December 2019.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Company did not have any significant investment, acquisition and disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2019.

Mortgage of the group's assets

As of 31 December 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 RMB350.3 million.

Capital expenditures and investment

The Company's capital expenditures primarily consist of expenditures for the purchase of property, plant and equipment, intangible assets, investment in an associate and other long-term assets. As of 31 December 2019, the capital expenditures of the Company was approximately RMB149.3 million, primarily attributable to (i) expenses for the mobile POS terminals purchased last year; (ii) investment in Weimob; and (iii) capital contribution to investment in an associate.

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 31 December 2019, the Company did not have any material contingent liabilities.

Key financial ratios

	For the year ended 31 December 2019	For the year ended 31 December 2018
Gross margin[(1)]	**26.8%**	27.4%
Net profit margin[(2)]	**6.6%**	5.4%
Adjusted profit margin[(3)]	**8.2%**	8.1%
EBITDA margin	**13.9%**	14.5%
Adjusted EBITDA margin	**15.5%**	17.2%

	As of 31 December 2019	As of 31 December 2018
Gearing ratio[(4)]	**76.7%**	76.1%
Adjusted gearing ratio[(5)]	**N/A**	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 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) 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, contract liabilities, 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, contract liabilities, 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 prospect

Amid the outbreak of novel coronavirus pneumonia epidemic at the beginning of 2020, remote service has become a trend, creating an imminent need of digitalization for merchants. We are the pioneer in initiating digital transformation among comparable companies and completing the full implementation in 2020.

We will strive for digital marketing and turning towards innovative solutions for emerging digital scenarios. We will promote the online marketing, for example the digital marketing tools, and support merchants to gain from private domain through the development of mini programs. We will strive for emerging scenarios in relation to social e-commerce, industrial chain SaaS and B2B matchmaking platforms and deliver scenario solutions with the API-based method.

We will deepen the digital operation and enhancing technology, data processing capabilities and management effectiveness. We will apply industry-leading mobile and cutting-edge technologies to deeply reach scenarios and optimize the user experience. We will also implement self-service data acquisition and intellectual prediction to enhance data asset management capabilities; and build a digital management system to achieve online collaboration and management over financial, personnel and official business.

With reference to the market situation and development strategies, we remain optimistic about the business growth of the Company in 2020, as it is expected that all of its performance indicators will increase steadily. The profitability of existing businesses is also expected to increase on a sustainable basis, and the number of merchants and development scale of innovative businesses will expand rapidly. Besides, various operating costs of the Company will continue to decrease and product development efficiency will be further improved.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had 1,080 employees. The staff costs, including Directors' emoluments, increased by around 25% from approximately RMB407.0 million for the year ended 31 December 2018 to approximately RMB507.8 million for the year ended 31 December 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 also 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 and the 2019 annual report of the Company to be published in April 2020.

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 31 December 2019 which would 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. 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.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and not be performed by the same individual. Up to the date of this announcement, the roles of chairman and chief executive officer of the Company are 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 of independent non-executive Directors.

Save as disclosed above, the Company has complied with the applicable code provisions of the CG Code during the Reporting 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 Reporting 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 Reporting 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 (the "**AGM**") of the Company (the "**Share Repurchase Plan**"), and repurchased a total of 7,610,400 Shares on the Stock Exchange at an aggregate consideration of HK$30,396,588. 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 during the Reporting Period are as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest	Purchase price per Share Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
January 2019	294,400	3.20	3.03	925,188
February 2019	6,000	3.29	3.25	19,676
March 2019	1,231,600	3.93	3.76	4,780,776
May 2019	3,237,600	4.15	3.94	13,185,980
June 2019	2,840,400	4.28	3.64	11,483,672
September 2019	400	3.24	3.24	1,296
Total	7,610,400			30,396,588

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities during the Reporting Period.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company has been 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 31 December 2019, the Company has utilised HK$1,096.1 million of the net proceeds from the Global Offering. For the amounts not yet utilised, 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, the remaining proceeds shall be utilised within the next 3 years.

The following table sets forth a breakdown of the utilization of net proceeds as at 31 December 2019:

Unit: HK$ million

	Net proceeds from the Global Offering	**Utilization as at 31 December 2019**	**Unutilised amount**
Enhancing technology systems and research and development capability	477.8	204.6	273.3
Pursuing selective acquisitions of, or strategic investments in, payment technology companies, payment service providers and/or SaaS providers	318.5	95.4	223.1
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	159.2	0.0
Fully repaying the principal amount and interests of certain bank borrowings	318.5	318.5	0.0
Working capital and general corporate uses	159.2	159.2	0.0
Total	**1,592.5**	**1,096.1**	**496.4**

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 Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2019, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

FINIAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The Company will hold the AGM on Wednesday, 27 May 2020.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 May 2020 to Wednesday, 27 May 2020 (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 Thursday, 21 May 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.huifu.com. The 2019 annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company in April 2020 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, 25 March 2020

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 Ms. WANG Lihong 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*