CHONG SING HOLDINGS FINTECH GROUP LIMITED
中新控股科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8207)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	**Changes**
	RMB'000	*RMB'000*	
OPERATING RESULTS			
Revenue	**1,784,434**	2,545,187	-29.9%
Loss for the year	**(3,762,597)**	(836,441)	-349.8%
Loss attributable to owners of the Company	**(3,486,470)**	(857,619)	-306.5%
Non-GAAP loss attributable to owners of the Company	**(3,480,546)**	(966,295)	-260.2%
Basic losses per share	**RMB(15.07) cents**	RMB(3.76) cents	-300.8%
Non-GAAP basic losses per share	**RMB(15.04) cents**	RMB(4.23) cents	-255.6%
FINANCIAL POSITION			
Total assets	**6,171,971**	11,681,530	-47.2%
Bank balances and cash	**183,918**	391,809	-53.1%
Total liabilities	**4,312,537**	5,872,427	-26.6%
Net assets	**1,859,434**	5,809,103	-68.0%

BUSINESS REVIEW

Industry Trends

FinTech is an important part and a driving force for the development of the modern financial system. 2019 has seen two major trends in this industry: business innovation and regulatory compliance supervision. The integration of finance and technology are increasingly deepening, and FinTech solutions continue to drive changes especially in the banking industry. Many FinTech companies continue to leverage technologies such as big data, cloud computing, artificial intelligence, blockchain and other technological advancement to influence the traditional financial operations; deepen research and development of technology applications, and continue to innovate technology to empower financial businesses. FinTech on hindsight is ahead of regulations. Few of impending licenses did not materalise as expected, and we continue to see strict domestic supervision and various implementations of regulatory measures which are challenging to many industry players, and many industry operators have been focusing on building the ecosystems.

In the backdrop of the slow economic development in China and regulatory tightening in the industries that the Group operates in, the FinTech platforms of the Company and its subsidiaries (the "**Group**") have been adversely impacted and are facing enormous challenges both operationally and financially. The management had to make very tough decisions that were unprecedent in the Group's operating history in response to those changes and expects to gradually transform and restructure the business overall.

Operational Review

Third party payment

Shanghai Jifu, our mobile point of sale ("**POS**") provider which is owned by the Group as to 35%, recorded a total transaction volume of RMB4.15 trillion in 2019, representing a year-on-year growth of around 21%. The accumulated number of registered users reached 42.67 million as of December 2019. Focused on the strategic positioning of "data services provider for small and micro-sized merchants", Shanghai Jifu provides the third party payment service for individuals, small and micro businesses and industry customers through sales of various types of major POS terminals in the market, including mobile POS, traditional POS and smart POS, and expands the penetration of service channels for bank cards in various industries, and has achieved a rapid growth in the fees income.

In 2019, K&R International Limited ("**K&R International**") continues to develop new payment products and service platforms to meet the customers' needs and better the user experience. K&R International is committed to strengthen its products and service capabilities. It has partnered with various corporate customers in multiple level to expand its outreach.

During this year, K&R International has obtained the qualification from the VISA for card issuance business and conducted a joint system testing. It has also launched Hong Kong's first group buy card in the catering industry, POPCOIN, together with the local merchants to provide high quality and affordable dining choices to the local customers. K&R International has also established the connections with different acquiring institutions, and this has increased top up channels and sales channels for K&R International's future business.

Amigo Technologies Joint Stock Company ("**Amigo Technologies**") (in which the Group holds a 51% interest), our payment services provider in Vietnam, processed 217 million transactions representing 12% growth rate compared to that in 2018. The total transaction volume grew 2%, recorded VND207 trillion during the year. All these were processed via our proprietary Paypost without any single system failure/error incident. Amigo Technologies has also built a feature-rich functions mobile wallet A-Pay with 02 versions for both merchants, and end-users.

OUTLOOK AND STRATEGIES FOR 2020

Third party payment

In 2020, Shanghai Jifu will focus on the innovation and integration of financial services by fully leveraging on Jifu payment ecosystem. Starting from the payment and other FinTech applications, it will serve the real economy and small and micro businesses to further enhance its capabilities in technology and solutions in big data and the cloud services of Software-as-a-service ("**SaaS**") and provide a series of comprehensive FinTech services for small and micro businesses, so as to establish a FinTech platform based on third party payment, e-commerce and big data service pattern.

Together with Vietnam Post as strategic alliance, we plan to offer A-Pay mobile wallet to more than Vietnam Post's 50,000 postmen and millions of end-users subsequently. This approach will help us achieve mobile wallet users with minimum cost and drive transactions volume against e-commerce competitors.

In 2020, K&R International will focus on:

1) E-wallet account products. To cater for the market trend of FinTech and mobile payment, in 2020, K&R International plans to launch an e-wallet account with functions such as application, recharge, stored value and consumption based on the EKYC technology of artificial intelligence and with an effective anti-money laundering mechanism in place. The e-wallet account no longer requires complicated processes involved in offline card opening verification processes and is free from the specific requirements of offline outlets. The application and approval process is carried out online, which has shortened the distance with customers. Applications are accepted 24 hours online, thus saving customers' time and efforts. This will significantly increase their willingness to open accounts. Besides, online remote account opening will decrease operating costs and mitigate the potential uncertainties caused by the epidemic.

2) Export of e-wallet account technology. Due to the impact of the social environment in 2019 and the epidemic outbreak in 2020, enterprises in Hong Kong have a great demand for electronic stored value facilities, including membership cards, consumer cards and other products that can support online payment. By leveraging the open and sound financial system in Hong Kong and the Open API mode based on SDK, K&R International will provide e-wallet accounts to enterprises in need, help them to complete the electronic business transformation and expand into the online sales, thereby getting rid of geographical restrictions and attracting more consumers. E-wallet accounts provided by K&R International accept applications from consumers around the world, provide enterprises with a borderless value-added, stored-value, and consumer e-payment solutions. K&R International can also customise a proprietary member network for an enterprise according to its needs to keep customers, funds and consumption activities in its own ecological circle. This helps to more accurately locate potential customers, stimulate consumption, cultivate loyalty, direct customer acquisition, and reduce the barrier to consumption payment. The export of e-wallet accounts technology will expand K&R International's product line from a single B2C model to a B2B2C model.

3) Expansion of sales channels. We newly launched convenience store recharge channels to sell gift cards of K&R International through major convenience stores in Hong Kong, provide customers with cash recharge services (already tested), and enhance online sales channels.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

For the year ended 31 December 2019, the Group reported revenues of approximately RMB1,784 million, representing a decrease of 29.9% year-on-year. The decrease was primarily attributable to the decrease in revenue from the blockchain services as the Group has exited this segment and traditional loans and financing services during the year, outweighing stable revenue from the online investment and technology-enabled lending service. The following table sets forth the Group's revenues by segment of business for the years ended 31 December 2018 and 2019.

	For the year ended 31 December			
	2019		2018	
	RMB'000	**% of total revenues**	*RMB'000*	% of total revenues
Traditional loans and financing	**55,684**	**3.1**	554,960	21.8
Third party payment service	**299,119**	**16.8**	360,433	14.2
Online investment and technology-enabled lending service	**1,061,487**	**59.5**	959,723	37.7
Blockchain services	**–**	**–**	420,341	16.5
Others	**368,144**	**20.6**	249,730	9.8
Total	**1,784,434**	**100.0**	2,545,187	100.0

Traditional loans and financing income

Traditional loans and financing income mainly includes interest income and financial consultancy service income which were derived from the Group's loan financing services including entrusted loans, pawn loans and other loans secured with assets or guarantees. It generated approximately 3.1% of the Group's total revenues and recorded a revenue of approximately RMB55.7 million for the year ended 31 December 2019. The decrease in revenue in this segment was because no interest income was recognized on those credit impaired receivables during the year.

Third party payment service income

The third-party payment business, which included the provision of online payment transactions, payment system consultancy and related services of UCF Pay and K&R International, generated revenues of approximately RMB299.1 million for the year ended 31 December 2019, representing a decrease of approximately 17% year-on-year. It represented approximately 16.8% of the Group's total revenues, of which UCF Pay and K&R International reported revenue of approximately RMB282.2 million and RMB2.9 million, respectively. The decrease was mainly due to the non-compliance issue discovered in July 2019 which led to operation suspended temporarily in UCF Pay since the second half of the year.

Online investment and technology-enabled lending service income

Our online investment and technology-enabled lending service income mainly included income generated by our 48%-owned online consumer lending platform, Weshare Global Limited ("**Weshare**"). For the year ended 31 December 2019, the Group's online investment and technology-enabled lending service business recorded revenues of approximately RMB1,061.5 million, representing an increase of approximately 10.6% year-on-year. It represented approximately 59.5% of the Group's total revenues, of which Weshare reported revenue of approximately RMB1,050.6 million. The increase in the business segments revenue was mainly due to increase in transaction volumes across the online consumer lending platform Weshare especially in the first three quarters of 2019.

Others

Others mainly included exhibition service income, and IT solution income generated by our 51%-owned subsidiary Glory Metro Holdings Limited ("**Glory Metro**") and our 51%-owned subsidiary Amigo Technologies, respectively. The increase was largely driven by Amigo Technologies' solid business this year. Among these, Amigo Technologies reported revenue of approximately RMB309.3 million, and Glory Metro reported revenue of approximately RMB58.6 million.

Interest expenses

Interest expenses mainly comprised interest due on bank and other loans, HK$-denominated convertible bonds, US$-denominated convertible bonds, SGD-denominated corporate bonds and HK$-denominated corporate bonds. The Group's interest expenses remained flat to approximately RMB392.7 million for the year ended 31 December 2019. As at 31 December 2019, the Group's balances for external funding was RMB2,643 million, of which bank and other borrowings (including lease liabilities) amounted to approximately RMB1,142 million (31 December 2018: approximately RMB1,551.6 million); and corporate bonds and convertible bonds amounted to approximately RMB1,501 million (31 December 2018: approximately RMB1,736.5 million).

Other income and gains and losses

Other income mainly comprised bank interest income and government grants. The Group's other gains and losses which mainly comprised fair value changes of financial assets and held for trading investments through profit or loss which resulted the loss of RMB1,102.2 million. Among those, RMB829 million fair value loss attributable to our 8.81% investment in NCF Group, following the Nasdaq Stock Market, Inc (the Exchange) decision to remove from listing the Class A common stock of NCF Group, effective at the opening of the trading session on October 3, 2019.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, intermediary handling charges for third party payment services, bank and financing charges, sales and marketing related expenses, provision for financial guarantee and write-off of Goodwill. The administrative and other operating expenses were approximately RMB4,546.6 million, being 18.1% of increase compared to that in 2018. The big increase was largely due to the impairment loss on loan receivables which amounted to approximately RMB963 million (2018: RMB595 million). Those were calculated based on the credit risk assessment of each individual borrowers and a probability of default including the consideration of relevant macroeconomic variables. During the year, we saw poor performance in the borrower's industries and early signs of liquidity problems, such as, extension applications were made by the borrowers before or upon their loan expiry date, which led to a higher probability of default used in calculating the provision. In addition, certain borrowers were default on both principal and interest when they were due.

Another big factor in write-off of goodwill and intangible assets has contributed approximately RMB758 million (2018: RMB133 million) to the overall administrative and other operating expenses. The write-offs came from the investments in Weshare (engaged in online investment and technology-lending service income), Shenzhen Qiyuan Tianxia Technology Company Limited ("**Qiyuan**") (engaged in provision of social gaming service income), Glory Metro (engaged in provision of exhibition services income) and Ping An Securities Group (Holdings) Limited ("**Ping An Securities**") (21.46% equity interest held by the Group as an associate). During the fourth quarter of last year, the general guidelines from the central government of China were to promote the beginning exit of most online lending business and seek alternatives or transformation of such business. As a result, Weshare has decreased their respective business volume with only partial residual business remaining in domestic market at the end of 2019. The mobile gaming Industry that Qiyuan engaged in were facing a decline. That has led to poor operational performance and Qiyuan has not successfully launched any gaming titles during the year. Glory Metro's operational progress has been behind the schedule and was not able to reach the year-end financial targets. It also started conversations with some relevant local government agencies to cease a few existing services agreements in the near term. Lastly, Ping An Securities has recently released its 2019 annual report with reported loss for the year of approximately HK$700 million and had net current liability of approximately HK$1.1 billion.

Share-based payment expenses

Share-based payment expenses of the Group for the year ended 31 December 2019 decreased by approximately 70.7% to approximately RMB20.9 million (2018: RMB71.2 million). The decrease in such expenses was due to the lapse of the share options during the year.

Share of results of associates

Share of results of associates for the year ended 31 December 2019 increased to a loss of approximately RMB14.3 million. The year-on-year increase was mainly attributable to a share of net loss from our 30.2% equity interest in 北京一房科技有限公司(「**一房科技**」), outweighing a share of net gain from our 35.0% equity interest in Shanghai Jifu.

Loss for the year ended 31 December 2019

The loss for the year ended 31 December 2019 was approximately RMB3,762.6 million, compared to the loss of RMB836.4 million as of 31 December 2018.

The increase in loss was mainly due to a decrease in revenue and other gains and losses of approximately RMB760.8 million and RMB1,924.8 million respectively, and increase in administrative and other operating expenses of approximately RMB697.3 million, outweighing decreases in tax expense and share-based payment expense of approximately RMB488.9 million and approximately RMB50.4 million respectively, and decrease in the loss from share of results of associates by RMB55.6 million.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB3,486.5 million, compared to a loss attributable to owners of the Company of approximately RMB857.6 million for the year ended 31 December 2018. Excluding the non-recurring share-based payment expenses and certain other non-cash items, loss attributable to owners of the Company under non-generally accepted accounting principles ("**GAAP**") for the year ended 31 December 2019 was approximately RMB3,480.5 million, compared to a loss attributable to owners of the Company of approximately RMB966.3 million for the year ended 31 December 2018.

Reconciliations of non-GAAP measures to the nearest comparable GAAP measures

The table below sets forth a reconciliation of our loss attributable to owners of the Company to non-GAAP loss attributable to owners of the Company for the year indicated:

	For the year ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(3,486,470)**	(857,619)
Adjustments for:		
Share-based payment expenses	**20,858**	71,235
Gain on disposal of subsidiaries	**–**	(42,760)
Income tax arising from gain on deemed/disposal of subsidiaries	**–**	60,493
Net loss on deemed disposal of subsidiaries	**–**	68,563
Gain on deemed disposal of an associate	**–**	(5,373)
Gain on disposal of an associate	**–**	(225,050)
Change in fair value of preference share of a 48%-owned subsidiary	**(14,934)**	(35,784)
Non-GAAP loss attributable to owners of the Company	**(3,480,546)**	(966,295)

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of acquisition or disposal transactions.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2019, the Group's source of funds was mainly from cash generated from operations and borrowings. As at 31 December 2019, the Group had bank balances and cash of approximately RMB183.9 million (31 December 2018: approximately RMB391.8 million), of which 42.8%, 14.6%, 19.7% and 9.5% were denominated in RMB, US$, VND and HK$ respectively.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2019, the Group has completed the following important transaction:

– the disposal of its 20% equity interest in Weshare, to Goldwell Global Limited for a total cash consideration of HK$20,000,000.

ANNUAL RESULTS

The board of Directors (the "**Board**") is hereby to announce the annual consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** **RMB'000**	2018 *RMB'000*
Revenue	*4*	**1,784,434**	2,545,187
Interest income	*4*	**55,206**	398,507
Interest expenses	*7*	**(392,683)**	(392,343)
Net interest income		**(337,477)**	6,164
Financial consultancy service income	*4*	**478**	156,453
Third party payment service income	*4*	**299,119**	360,433
Online investment and technology-enabled lending service income	*4*	**1,061,487**	959,723
Transaction verification service income	*4*	**–**	420,341
Other	*4*	**368,144**	249,730
		1,391,751	2,152,844
Other income	*6*	**36,849**	49,397
Other gains and losses		**(1,102,167)**	822,583
Administrative and other operating expenses		**(4,546,571)**	(3,849,258)
Gain on disposal of a subsidiary		**–**	42,760
Net loss on deemed disposal of subsidiaries		**–**	(68,563)
Gain on deemed disposal of associates		**–**	5,373
Gain on disposal of an associate		**–**	225,050
Change in fair value of crypto currencies		**(162)**	(122,874)
Change in fair value of preference share of a subsidiary		**31,112**	74,551
Share-based payment expenses		**(20,858)**	(71,235)
Share of results of associates		**(14,334)**	(69,908)
Loss before tax	*8*	**(4,224,380)**	(809,280)
Income tax	*9*	**461,783**	(27,161)
Loss for the year		**(3,762,597)**	(836,441)

	NOTES	2019 RMB'000	2018 RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**51,686**	(32,367)
Share of other comprehensive income of associates		**–**	8,979
Change in fair value of financial assets at fair value through other comprehensive expense		**(256,914)**	(224,256)
Other comprehensive expense for the year		**(205,228)**	(247,644)
Total comprehensive expense for the year		**(3,967,825)**	(1,084,085)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(3,486,470)**	(857,619)
Non-controlling interests		**(276,127)**	21,178
		(3,762,597)	(836,441)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(3,643,129)**	(1,095,295)
Non-controlling interests		**(324,696)**	11,210
		(3,967,825)	(1,084,085)
		RMB	*RMB*
Losses per share	*11*		
Basic		**(15.07) cents**	(3.76) cents
Diluted		**(15.07) cents**	(3.76) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	**2019** *RMB'000*	2018 *RMB'000*
Non-current assets			
Plant and equipment		**110,944**	138,070
Right-of-use assets		**8,268**	–
Intangible assets		**292,333**	382,960
Goodwill		**359,740**	1,009,590
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**400,559**	626,690
Deferred tax assets		**416,421**	122,003
Interests in associates		**1,152,861**	1,211,520
Interests in joint ventures		**194**	3,194
		2,741,320	3,494,027
Current assets			
Inventories		**12,422**	9,570
Financial assets at fair value through profit or loss ("**FVTPL**")/held for trading investments		**149,322**	1,243,948
Trade receivables	*12*	**221,961**	516,763
Loan receivables	*13*	**2,163,709**	3,606,632
Prepayments and other receivables		**312,316**	1,395,615
Amounts due from joint ventures		**5,045**	1,683
Amounts due from associates		**–**	156,217
Amounts due from related companies		**190,223**	191,818
Crypto currencies		**121**	280
Tax recoverable		**–**	8,336
Pledged bank deposits		**–**	167,242
Bank balance – trust account		**191,614**	497,590
Bank balances and cash		**183,918**	391,809
		3,430,651	8,187,503
Current liabilities			
Accruals and other payables	*14*	**1,050,152**	1,387,537
Funds payables and amounts due to customers		**191,614**	497,590
Amounts due to non-controlling shareholders		**1,596**	1,580
Amounts due to related companies		**190,047**	181,911
Lease liabilities		**4,950**	–
Borrowings		**1,133,237**	1,516,485
Corporate bonds		**390,835**	185,086
Convertible bonds		**1,110,430**	1,172,406
Preference share of a subsidiary		**13,334**	44,446
Provision for financial guarantee		**–**	30,122
Income tax payables		**146,763**	340,593
		4,232,958	5,357,756

	2019	2018
	RMB'000	*RMB'000*
Net current assets (liabilities)	**(802,307)**	2,829,747
Total assets less current liabilities	**1,939,013**	6,323,774
Non-current liabilities		
Corporate bonds	**–**	379,003
Lease liabilities	**4,008**	–
Borrowings	**–**	35,128
Deferred tax liabilities	**75,571**	100,540
	79,579	514,671
Net assets	**1,859,434**	5,809,103
Capital and reserves		
Share capital	**385,717**	385,717
Reserves	**1,372,443**	4,995,233
Equity attributable to owners of the Company	**1,758,160**	5,380,950
Non-controlling interests	**101,274**	428,153
Total equity	**1,859,434**	5,809,103

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Mr. Zhang Zhenxin who passed away on 18 September 2019 (at London Time) as detailed in the Company's announcement dated 7 October 2019, was the substantial shareholder of the Company. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("**RMB**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") and certain subsidiaries of which primary sources of revenues are dividend income which are derived from the operation of its major subsidiary operating in Mainland China, whose functional currency is RMB, the functional currency of the Company and its subsidiaries is Hong Kong dollars ("**HK$**"). The functional currency of the Company is HK$, which is different from the presentation currency, RMB. As the Company's subsidiaries mainly operate in the PRC, apart from subsidiaries established in Vietnam which was acquired in 2017, whose functional currency is Vietnamese Dong ("**VND**"), the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

Development on trading halt in relation to a non-compliance issue of a material PRC subsidiary of the Company

Reference is made to the announcements (the "**Announcements**") of the Company dated (i) 8 July 2019 – the trading halt in the shares of the Company; (ii) 9 August 2019 – the first resumption guidance given to the Company by the Stock Exchange; (iii) 16 August 2019 – the additional resumption guidance given to the Company by the Stock Exchange; and (iv) 7 April 2020 – the key findings of the internal review committee of the Company in relation to the non-compliance issue of a material PRC subsidiary of the Company. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless stated otherwise.

On 8 July 2019, at the request of the Company, trading in the shares of the Company was suspended as a result of a pending investigation of a non-compliance issue (the "**Non-Compliance**") relating to one of the Company's material PRC subsidiary, namely UCF Pay Limited ("**UCF Pay**"). UCF Pay has been requested by the PRC regulatory authority to take serious remedial actions for certain material non-compliance issue relating to its business operation.

On 7 August 2019, the Company received from the Stock Exchange the first resumption guidance including (i) to conduct an appropriate investigation into the Non-Compliance, assess its impact(s) to the Company's business operations and financial position, announce the findings and impact(s) and take appropriate remedial actions; (ii) demonstrate to ability to carry out a sufficient level of operations or have assets of sufficient value to warrant the continued listing of the shares of the Company; and (iii) to announce all material information of the Company's shareholders and other investors to appraise the Company's position.

On 15 August 2019, the Company received additional resumption guidance from the Stock Exchange to publish all outstanding financial results and address and audit modifications.

In accordance with the first resumption guidance provided by the Stock Exchange, the Company established an Internal Review Committee and conducted an appropriate investigation into the Non-Compliance. Below are the key findings of the Non-Compliance, amongst others, of the Internal Review Committee:

- Certain senior management of a customer of UCF Pay, which is a third party to the Group ("**Third Party**"), had at the material time wrongfully altered the customer's credit limit of UCF Pay without authorization and thereby embezzled from UCF Pay's trust funds ("**Embezzlement**");

- No evidence indicating any director or senior management of the Group was involved or benefited from the Embezzlement personally nor any Embezzlement has ended up in the Group's financials; and

- The Third Party admitted the Embezzlement.

Since 8 July 2019, at the request of the PRC regulatory authority, UCF Pay has temporarily suspended its operations. The Company is now actively discussing with the PRC regulatory authority for the remedial action(s) to be taken and policies to be formulated to supervise and monitor UCF Pay and the other subsidiaries of the Company in due course.

The resumption condition includes but not limited to remedial actions to be taken and additional policies to be formulated by UCF Pay to satisfy the PRC regulatory authority so as to resume its operation. The Company intends to come to an agreement with the PRC regulatory authority for the remedial action(s) to be taken and policies to be formulated by UCF pay so as to resume its operations in the second half of 2020.

In assessing the financial impact arose from the Non-Compliance, the Company engaged an independent firm of external professional valuer to appraise the recoverable amount of the cash generating unit which UCF Pay ("**UCF Pay CGU**") relates. Below are the key assumptions and inputs adopted in the valuation of UCF Pay CGU as at 31 December 2019 under which impact of the Non-Compliance had been taken into account:

Key inputs/assumptions 2019	**2019** ***(RMB'000)***	2018 *(RMB'000)*
Recoverable amount	**499,803**	1,025,652
Total revenue for the next 5 years	**1,653,899**	2,318,636
Net profit for the next 5 years	**359,011**	440,772
Discount rate	**20%**	20%
Terminal growth rate	**3%**	3%

As compared with that of 2018, total revenue of UCF Pay for the next 5 years observed a significant drop owing to an assumption the scale of UCF Pay's operations will take 1.5 years to reach to the scale of its operation prior to the Non-Compliance.

As at 31 December 2019, the recoverable amount (RMB499,803,000) per above under the valuation is higher than the aggregated carrying amount (RMB256,576,000) of goodwill, intangible assets and other non-current assets attributable to the UCF Pay CGU. The Board considers that at this stage, no impairment of UCF Pay CGU is required in preparing the consolidated financial statements of the Group for the year ended 31 December 2019.

The aggregated carrying amount (RMB256,576,000) of goodwill, intangible assets and other non-current assets attributable to the UCF Pay CGU would subject to further impairment should the Non-Compliance issue become unsolved which led to the operation of UCF Pay endure suspension exceed 1.5 years.

As of the approved date on these consolidated financial statements, trading in the shares of the Company remains suspended. However, the Group is of the opinion that the resumption guidance provided by the Stock Exchange can be fulfilled and expected resumption of trading in the second half of 2020.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**") and Interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, none of the developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, (HK) IFRIC 4 Determining whether an Arrangement contains a Lease, (HK) SIC 15 Operating Leases Incentives and (HK) SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged. HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16. The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Statement of financial position as at 1 January 2019	
Right-of-use assets	27,776
Lease liabilities (non-current)	(22,635)
Lease liabilities (current)	(5,660)
Retained earnings	519

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	29,746
Less: total future interest expenses	(1,451)
Present value of remaining lease payments, discounted using the weighted average lessee's incremental borrowing rate of 5.13% and lease liabilities recognised as at 1 January 2019	28,295
Of which are:	
Current lease liabilities	22,635
Non-current lease liabilities	5,660
	28,295

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.13%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets not exceeding 5 years.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

The Group's lease liabilities are included in lease liabilities.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low-value.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks and rewards incidental to of ownership of an underlying assets to the lessee Group, other than legal title, are accounted for as finance leases.

New/revised HKFRSs that have been issued but are not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

All of the above are effective for annual periods beginning on or after 1 January 2020.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM under The Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Going concern

During the year ended 31 December 2019, the Group incurred a net loss of approximately RMB3,762,597,000 and as at 31 December 2019, the Group had net current liabilities of RMB802,307,000.

In addition, as at 31 December 2019 and up to the approval date on these consolidated financial statements, certain of the Group's borrowings, corporate bonds and convertible bonds of approximately RMB1,133,237,000, RMB390,835,000 and RMB1,110,430,000, respectively, were overdue. Though the Group has not received any written requests from the lenders, creditors and investors to settle any outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders, creditors and investors which are scheduled to be repaid in 2019, not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors, there is no indication that the lenders, creditors and investors have any current intention to exercise their right to demand immediate repayment thereon.

Furthermore, pursuant to certain agreements relating to the Group's borrowings, corporate bonds and convertible bonds, the Group is subject to the fulfilment of covenants such as maintain certain financial ratios or to repay the principal or interest payments as and when they fall due. Additionally, certain agreements have a cross default clause whereby when the Group defaults on principal or interest repayments or breaches certain covenants, the remaining borrowings, corporate bonds and convertible bonds of the Group become repayable on demand.

During the year ended 31 December 2019, the Group had breached the aforementioned covenants and had defaulted on certain borrowings, corporate bonds and convertible bonds, resulting in the liabilities becoming repayable on demand and classified as current liabilities.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Accordingly, the directors of the Company have been undertaking a number of measures to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is now actively participating in the negotiations of a potential restructuring of the Company's borrowings with its lenders, creditors and investors and is still negotiating and convincing the Group's creditors, investors, lenders and bankers so that no action to be taken by them to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms (the "**Finance Reorganisation**");

(ii) The Group is still identifying various options for raising of additional new sources of financing from the shareholders, related parties and/or disposal of the Group's assets. ("**Additional Funding Plan**");

(iii) The Group is still communicating with the Group's creditors, investors, lenders and bankers to maintain the sound relationship with them, in particular to those involved with the Group's existing businesses and operations so that no actions to be taken by them should the Group be unable to meet all the payment obligations on a timely basis;

(iv) The Group continues to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having human resources optimisation and adjustment, (ii) reorganising the structure to each segment and maintaining close communication with customers, creditors, investors, lenders and bankers etc. (iii) committing to solicit for new customers to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "**Business and Operation Restructuring Plan**").

The directors of the Company have reviewed the Group's cash flow projections of the Company covering a period of not less than twelve months from 31 December 2019 and they are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its partial financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would highly depend upon the Group's ability to generate adequate financing and operating cash flow through the following:

(i) Successful in the finalisation of the Finance Reorganisation with the creditors, investors, lenders and bankers;

(ii) Successful of the Additional Funding Plan in obtaining of additional new sources of financing as and when needed;

(iii) Successful maintenance of sound relationship with the Group's creditors, investors, lenders and bankers, in particular to those involved in the Group's existing businesses and operations so that no actions will be taken by those creditors, investors, lenders and banks against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(iv) Successful in the Group's Business and Operation Restructuring Plan.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

4. REVENUE

The principal activities of the Group are provision of traditional financial services and related financing consultancy services including entrusted loan service, real estate-backed loan service, pawn loan service, other loan service and microfinance service, and internet financing service including third party payment service, online investment and technology-enabled lending service and related activities on loan portfolio management, as well as provision of social gaming services, provision of IT solution service, provision of exhibition service and provision of transaction verification services.

Revenue represents interest income (either from entrusted loans, pawn loans, real estate-backed loans, other loans and micro loans), financial consultancy service income, third party payment service income, online investment and technology-enabled lending service income, social gaming service income, IT solution services income, exhibition service income, transaction verification service income, gain on transfer of interest rights on loan receivables, net of corresponding sales related taxes. An analysis of revenue, net is as follows:

	RMB'000
For the year ended 31 December 2019	
<u>Revenue from contracts with customers within the scope of HKFRS 15</u>	
Disaggregated by major products or services lines	
(a) Recognised over time	
Traditional loans and financing segment	
– Financial consultancy service income	478
Others segment	
– IT solution service income	309,309
– Exhibition service income	58,552
	368,339
(b) Recognised at a point in time	
Third party payment service segment	
– Third party payment service income	299,119
Online investment and technology-enabled lending service segment	
– Online investment and technology-enabled lending service income	1,061,487
Others segment	
– Social gaming service income	283
	1,360,889
Total revenue from contracts with customers	1,729,228
<u>Revenue from other sources</u>	
(a) Traditional loans and financing segment	
Interest income	55,206
(b) Blockchain services segment	
Blockchain services income	–
	55,206
Revenue	1,784,434

Transaction price allocated to the remaining performance obligations

All sales contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the performance performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

	RMB'000
For the year ended 31 December 2018	
<u>Revenue from contracts with customers within the scope of HKFRS 15</u>	
Disaggregated by major products or services lines	
(a) Recognised over time	
Traditional loans and financing segment	
– Financial consultancy service income	156,453
Others segment	
– IT solution service income	134,510
– Exhibition service income	40,779
	331,742
(b) Recognised at a point in time	
Third party payment service segment	
– Third party payment service income	360,433
Online investment and technology-enabled lending service segment	
– Online investment and technology-enabled lending service income	959,723
Others segment	
– Sales of IT related products	64,496
– Social gaming service income	9,945
	1,394,597
Total revenue from contracts with customers	1,726,339
<u>Revenue from other sources</u>	
(a) Traditional loans and financing segment	
Interest income	398,507
(b) Blockchain services segment	
Blockchain services income	420,341
	818,848
Revenue	2,545,187

5. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker ("**CODM**"), which are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Specifically, the Group's reportable segments are as follows:

1. Traditional loans and loans financing – provision of financing services in the PRC and Hong Kong;

2. Third party payment service – provision of online third party payment services and prepaid card issuance business;

3. Online investment and technology-enabled lending – provision of internet loan financing service in the PRC;

4. Blockchain services – provision of transaction verification services in Hong Kong, Canada and Georgia; and

5. Others – provision of social gaming service in the PRC, provision of IT solution services in Vietnam and provision of exhibition services in Hong Kong and PRC.

Segment revenue and results

For the year ended 31 December 2019

	Traditional loans and loans financing *RMB'000*	Third party payment service *RMB'000*	Online investment and technology-enabled lending service *RMB'000*	Blockchain services *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE						
External income and gain	**55,684**	**299,119**	**1,061,487**	**–**	**368,144**	**1,784,434**
Segment results	**(1,165,580)**	**(278,892)**	**(1,095,021)**	**(8,162)**	**(302,030)**	**(2,849,685)**
Share of results of associates						**(14,334)**
Unallocated other losses						**(23,212)**
Other gains and losses						**(823,699)**
Change in fair value of preference share of a subsidiary						**31,112**
Share-based payment expenses						**(20,858)**
Interest expenses						**(216,857)**
Unallocated expenses						**(306,847)**
Loss before tax						**(4,224,380)**

For the year ended 31 December 2018

	Traditional loans and loans financing RMB'000	Third party payment service RMB'000	Online investment and technology-enabled lending service RMB'000	Blockchain services RMB'000	Others RMB'000	Total RMB'000
REVENUE						
External income and gain	554,960	360,433	959,723	420,341	249,730	2,545,187
Segment results	(451,438)	68,042	26,719	(360,914)	(218,273)	(935,864)
Share of results of associates						(69,908)
Unallocated other income						46,610
Other gains and losses						595,544
Change in fair value of preference share of a subsidiary						74,551
Net loss on deemed disposal of subsidiaries						(68,563)
Gain on deemed disposal of associates						5,373
Gain on disposal of an associate						225,050
Gain on disposal of a subsidiary						42,760
Share-based payment expenses						(71,235)
Interest expenses						(183,830)
Unallocated expenses						(469,768)
Loss before tax						(809,280)

Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates, certain other income, certain other gains and losses, gain on disposal of subsidiaries, gain on deemed disposal of subsidiaries, change in fair value of preference share of a subsidiary, loss on disposal of an associate, net loss on deemed disposal of associates, impairment of goodwill included in interests in associates, impairment of amounts due from associates and related parties and certain other receivables, central administration costs, share-based payment expenses and certain interest expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Traditional loans and loans financing	**2,038,053**	3,781,202
Third party payment service	**961,728**	1,389,676
Online investment and technology-enabled lending service	**325,900**	2,211,918
Blockchain services	**95,888**	7,254
Others	**472,799**	609,679
Total segment assets	**3,894,368**	7,999,729
Unallocated corporate assets	**2,277,603**	3,681,801
Consolidated total assets	**6,171,971**	11,681,530

Segment liabilities

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Traditional loans and loans financing	**331,330**	231,157
Third party payment service	**444,606**	487,924
Online investment and technology-enabled lending service	**135,320**	1,039,301
Blockchain services	**–**	8,567
Others	**301,009**	148,300
Total segment liabilities	**1,212,265**	1,915,249
Unallocated corporate liabilities	**3,100,272**	3,957,178
Consolidated total liabilities	**4,312,537**	5,872,427

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain prepayments and other receivables, interests in associates/joint ventures, FVOCI, FVTPL, held for trading investments, amounts due from joint ventures, amounts due from associates, amounts due from related companies, certain bank balances and cash, deferred tax assets and income tax recoverable; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, amounts due to non-controlling shareholders, amounts due to related companies, certain borrowings, convertible bond, corporate bonds, preference shares of a subsidiary, other financial liabilities, deferred tax liabilities and income tax payables.

Other segment information

For the year ended 31 December 2019

	Traditional loans and loans financing *RMB'000*	Third party payment service *RMB'000*	Online investment and technology-enabled lending service *RMB'000*	Blockchain services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(Note)*	**–**	**2,496**	**–**	**–**	**23,637**	**26,133**
Depreciation on plant and equipment	**605**	**39,174**	**2,543**	**913**	**3,538**	**46,773**
Depreciation on right-of-use assets	**3,802**	**17,068**	**–**	**–**	**1,134**	**22,004**
Amortisation	**–**	**4,329**	**–**	**–**	**24,968**	**29,297**
Fair value change of provision for financial guarantee	**–**	**–**	**381,999**	**–**	**–**	**381,999**
Fair value change in preference share of a subsidiary	**–**	**–**	**(31,112)**	**–**	**–**	**(31,112)**
Impairment recognised on goodwill	**–**	**–**	**437,000**	**–**	**212,850**	**649,850**
Impairment recognised on intangible assets	**–**	**24,210**	**–**	**–**	**39,403**	**63,613**
Net impairment recognised on trade receivables	**132,352**	**129,144**	**–**	**–**	**3,882**	**265,378**
Net impairment recognised on loan receivables	**962,591**	**–**	**–**	**–**	**–**	**962,591**
Net (gain)/loss on disposal of plant and equipment	**(403)**	**–**	**–**	**–**	**5,718**	**5,315**

For the year ended 31 December 2018

	Traditional loans and loans financing *RMB'000*	Third party payment service *RMB'000*	Online investment and technology-enabled lending service *RMB'000*	Blockchain services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(Note)*	2,421	120,225	23,452	299,574	266,578	712,250
Depreciation	324	30,479	6,494	376,057	1,831	415,185
Amortisation	–	875	–	–	38,688	39,563
Fair value change of provision for financial guarantee	–	–	186,032	–	–	186,032
Fair value change in preference share of a subsidiary	–	–	(74,551)	–	–	(74,551)
Impairment recognised on intangible assets	–	–	–	–	32,889	32,889
Net impairment recognised on trade receivables	64,004	200	(149)	–	64,089	128,144
Net impairment recognised on other receivables	(4,744)	–	–	187,553	–	182,809
Net impairment recognised on loan receivables	595,244	–	–	–	–	595,244
Impairment recognised on goodwill	–	–	–	–	100,000	100,000
Gain on disposal of hashing power	–	–	–	(232,669)	–	(232,669)
Net loss on disposal of plant and equipment	–	–	13,301	(7,671)	–	5,630

Note:

Non-current assets included plant and equipment, goodwill, intangible assets and right-of-use assets for the years ended 31 December 2019 and 2018.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	For the year ended 31 December		**As at 31 December**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,415,584**	1,585,362	**1,776,819**	2,529,485
Hong Kong	**45,545**	246,771	**47,861**	117,720
Vietnam	**323,305**	211,646	**99,660**	95,023
Georgia	**–**	264,744	**–**	–
Others *	**–**	236,664	**–**	3,106
	1,784,434	2,545,187	**1,924,340**	2,745,334

* *Others include Canada and Singapore.*

Information about major customers

None of the customers accounting for 10% or more of aggregate revenue of the Group during the years ended 31 December 2019 and 2018.

6. OTHER INCOME

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Government grants *(Note)*	**34,454**	23,872
Bank interest income	**2,070**	10,335
Interest income on convertible bond	**–**	804
Other interest income	**–**	12,403
Others	**325**	1,983
	36,849	49,397

Note:

Government grants in respect of encouragement of expansion of enterprise were recognised at the time the Group fulfilled the relevant granting criteria.

7. INTEREST EXPENSES

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**122,233**	177,729
Interest on corporate bonds	**43,955**	58,397
Interest on convertible bonds	**94,405**	156,217
Interest on lease liabilities	**1,342**	–
Additional default interest accrued on borrowings, corporate bonds and convertible bonds *(note 14)*	**130,748**	–
	392,683	392,343

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
(a) Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**170,808**	328,078
Contribution to defined contribution retirement benefits scheme	**10,282**	43,017
Share-based payment expenses	**20,858**	71,235
	201,948	442,330
(b) Other items		
Auditors' remuneration	**1,409**	2,740
Depreciation on plant and equipment (included in administrative and other operating expenses)	**46,773**	415,185
Depreciation on right-of-use assets (included in administrative and other operating expenses)	**22,004**	–
Amortisation (included in administrative and other operating expenses)	**29,297**	39,563
Operating lease charges in respect of properties	**–**	72,650
Fair value change of provision for financial guarantee (included in administrative and other operating expenses)	**381,999**	186,032
Impairment loss recognised:		
Net impairment recognised on loan receivables (included in administrative and other operating expenses)	**962,591**	595,244
Net impairment recognised on other receivables (included in administrative and other operating expenses)	**20,414**	182,809
Net impairment recognised on trade receivables (included in administrative and other operating expenses)	**265,378**	128,144
Net impairment recognised on amounts due from a joint venture (included in administrative and other operating expenses)	**–**	2,951
Net impairment recognised on amounts due from an associate (included in administrative and other operating expenses)	**202,110**	403,850
Net impairment recognised on amounts due from related parties (included in administrative and other operating expenses)	**30,000**	–
Impairment loss recognised on goodwill (included in administrative and other operating expenses)	**649,850**	100,000
Impairment loss recognised on intangible assets (included in administrative and other operating expenses)	**63,613**	32,889
Impairment loss recognised on interests in associate (included in administrative and other operating expenses)	**44,324**	–

9. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represented:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax:		
Provision for Hong Kong Profits Tax	**–**	4,247
Provision for PRC Enterprise Income Tax (the "**EIT**")	**–**	143,087
Provision for Vietnam Income Tax	**2,015**	1,621
Over-provision in prior years	**(144,128)**	(312)
	(142,113)	148,643
Deferred tax	**(319,670)**	(121,482)
	(461,783)	27,161

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

During the years ended 31 December 2019 and 2018, several subsidiaries established in the PRC were recognised as High Technology Enterprises and subject to PRC income tax at 15% in accordance with the EIT Law, which will expire in the year of 2019.

(iv) Profits of the subsidiaries established in Vietnam are subject to Vietnam Income Tax.

In accordance with the Corporate Income Tax Law in Vietnam, the income tax rate is 20% from 2016.

10. DIVIDENDS

Final dividend for 2019 and 2018

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. LOSS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share:	**(3,486,470)**	(857,619)

	As at 31 December	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**23,141,315,580**	22,822,071,700
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**23,141,315,580**	22,822,071,700

For the year ended 31 December 2019 and 2018, the computation of diluted loss per share does not assume the effect of outstanding share options and conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

As at 31 December 2019, the number of new shares of the Company which may be issued due to the convertible bond are 1,792,039,042 shares.

12. TRADE RECEIVABLES

The Group allows an average credit period of 90 to 180 days to its trade customers. As at 31 December 2019, other than trade receivables of approximately RMB35,849,000 (2018: RMB50,426,000) which were secured by collaterals or are guaranteed, the Group does not hold any collateral over the remaining trade receivables. The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date for financial consultancy service income, P2P loan, provision of social gaming service in the PRC, provision of IT solution services and provision of exhibition services and date of providing services for interest income and online third party payment service income, which approximates the respective revenue recognition dates, at the end of each reporting period and as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 – 90 days	**165,586**	428,073
91 – 180 days	**37,781**	66,063
181 – 365 days	**13,309**	21,273
Over 1 year	**5,285**	1,354
	221,961	516,763

13. LOAN RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loan receivables		
Secured loans	**563,667**	783,383
Unsecured loans	**3,238,853**	3,499,469
	3,802,520	4,282,852
Less: Allowance for secured and unsecured loan receivables	**(1,638,811)**	(676,220)
	2,163,709	3,606,632

Loan receivables

The Group normally allows credit terms to customers ranging from 30 days up to 2 years, depending on the type of loans.

(a) *Ageing analysis*

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**1,130,195**	846,652
91 to 180 days	**137,326**	263,855
181 to 365 days	**470,236**	1,896,701
Over 365 days	**425,952**	599,424
	2,163,709	3,606,632

The above ageing analysis is presented based on the date of loans granted to customers.

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements.

14. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other payables and accrued expenses	**835,216**	1,300,503
Additional default interest payable accrued on borrowings, corporate bonds and convertible bonds *(note)*	**130,748**	–
Consideration payable for acquisition of remaining interests in a subsidiary	**–**	4,455
Consideration for acquisition of a subsidiary	**77,969**	77,969
	1,043,933	1,382,927
Financing service income receipts in advance *(note)*	**6,219**	4,610
	1,050,152	1,387,537

Note:

Additional default interest payable represents additional interest arising from borrowings, corporate bonds and convertible bonds which were not settled on or before the due date.

Financing service income receipts in advance represents the deferred income arose from the difference between loan receivables and the actual fund transferred to the customers at the inception of loan granted in accordance with the respective loan agreements and the deferred income will be recognised as interest income over the loan period.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is expected to be held in the end of May 2020. The Company will prepare a circular and provide a further update as soon as the date is confirmed.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

Save as disclosed under "Management Discussion and Analysis" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no material capital commitments (2018: RMB5,624,000) which was capital expenditure contracted but not provided for in respect of acquisition of plant and equipment or intangible assets.

FOREIGN EXCHANGE EXPOSURE

The Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US dollars. The exchange rate of US dollars against HK$ is relatively stable and the related currency exchange risk is considered minimal. For the operations in the PRC, most of the transactions are denominated in RMB. Given the floating level of RMB against HK$ during the period under review, no financial instrument was used for hedging purposes.

The Group is mainly exposed to the fluctuation of HK$ against RMB as certain of its bank balances, other borrowing and corporate bonds are denominated in HK$ which is not the functional currency of the relevant group entities. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilizing applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 608 staff and 11 contractors (2018: 1,133 staff and 11 contractors). Total staff costs (including Directors' emoluments) were approximately RMB201.9 million and total share options benefit to contractors were RMB6.2 million for the Year (2018: RMB442.3 million and RMB33.7 million, respectively). Remuneration is determined by reference to the market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme, social insurance together with housing provident funds, central provident fund scheme and a mandatory social security for its employees in Hong Kong, the PRC, Singapore and Vietnam, respectively. Periods training programmes were provided to enhance the knowledge of the staff.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible Directors, employees and contractors of the Group, who contribute to the success of the Group's operations.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") and all the requirements of the GEM Listing Rules during the Year except for the following deviation:

Code provision E.1.2 of the CG Code requires the chairman of the board of directors to attend the annual general meeting. Due to other business commitments which must be attended by Mr. Li Mingshan, the chairman of the Board (the "**Chairman**"), was not able to attend the annual general meeting of the Company held on 7 May 2019 (the "**AGM**"). Mr. Phang Yew Kiat, the vice-chairman and executive Director and the chief executive officer of the Company, acted as the chairman of the AGM to ensure an effective communication with the shareholders of the Company (the "**Shareholders**"). The Chairman had enquired about the questions raised and the opinions expressed by the Shareholders at the AGM.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its securities dealing code regarding dealings in the Company's securities by the Directors (the "**Own Code**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). A specific enquiry has been made by the Company with each of those who were the Directors during the Year and all of them have confirmed that they had complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the Year.

No incident of non-compliance of the Required Standard of Dealings or the Own Code by the Directors was noted by the Company.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify the Directors, senior management and relevant employees in advance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its securities listed and traded on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Year.

EVENTS AFTER THE REPORTING PERIOD

Except for the announcements, and quarterly update on development of suspension of trading since 8 July 2019, there has been no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since 1 January 2020 and up to the date of this announcement.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company, which comprises four INEDs, namely Mr. Ge Ming (the chairman), Dr. Ou Minggang, Dr. Wang Songqi and Ms. Zhou Zhan, has reviewed with the management the accounting principles and practices adopted by the Group and discussed with them auditing, risk management, internal control and financial reporting matters, including the review of the draft consolidated results of the Group for the Year.

SCOPE OF WORK OF EXTERNAL AUDITOR

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 the Preliminary Announcement have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by McMillan Woods (Hong Kong) CPA Limited 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 McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

We draw attention to note 1(b) to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB3,762,597,000 for the year ended 31 December 2019, and as at 31 December 2019, the Group had net current liabilities of approximately RMB802,307,000.

In addition, as at 31 December 2019 and up to the approval date on these consolidated financial statements, certain of the Group's borrowings, corporate bonds and convertible bonds of approximately RMB1,133,237,000, RMB390,835,000 and RMB1,110,430,000 respectively were overdue. Furthermore, pursuant to certain agreements relating to the Group's borrowings, corporate bonds and convertible bonds, the Group is subject to the fulfilment of covenants thereto including to maintain certain financial ratios or to repay the principal or interest payments as and when they fall due. The aforementioned agreements have a cross default clause whereby the borrowings, corporate bonds and convertible bonds of the Group become repayable on demand should the Group defaulted on principal or interest repayments or breached certain covenants. As at 31 December 2019, the Group had breached the aforementioned covenants and defaulted on repayments of certain borrowings, corporate bonds and convertible bonds, resulting in these liabilities becoming repayable on demand.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to achieve successful outcomes of the plans and measures as set forth in note 1(b) to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainties relating to the successful outcomes of the plans and measures to be implemented by the Group as set forth in note 1(b) to the consolidated financial statements, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

By Order of the Board
Chong Sing Holdings FinTech Group Limited
Phang Yew Kiat
Vice-Chairman, Chief Executive Officer and
Executive Director

Hong Kong, 30 April 2020

As at the date of this announcement, the Directors are as follows:

Executive Directors:
Mr. Phang Yew Kiat *(Vice-Chairman and Chief Executive Officer)*
Mr. Wong Ka Bo, Jimmy
Mr. Hu Xiuren

Non-executive Directors:
Mr. Sheng Jia
Ms. Li Shuang

Independent Non-executive Directors:
Mr. Ge Ming
Dr. Ou Minggang
Dr. Wang Songqi
Ms. Zhou Zhan

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be posted on the website of the Company (www.csfgroup.com).

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.