



Holdings FinTech Group Limited 中新

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 FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

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FINANCIAL HIGHLIGHTS

First Quarter of 2019

	For the three months ended 31 March		Period-on- period changes
	2019 (Unaudited) <i>RMB'000</i>	2018 (Unaudited) <i>RMB'000</i>	
Operating Results			
Turnover	527,909	603,870	(12.6)%
(Loss)/profit for the period	(187,361)	13,969	(1,441.3)%
(Loss)/profit attributable to owners of the Company	(171,615)	51,288	(434.6)%
Non-GAAP (loss) profit attributable to owners of the Company	(163,922)	55,993	(392.8)%
	<i>RMB</i>	<i>RMB</i>	
(Loss) earnings per share			
– basic	(0.74) cent	0.23 cent	(421.7)%
– diluted	(0.74) cent	0.22 cent	(436.4)%
Non-GAAP (loss) earnings per share			
– basic	(0.71) cent	0.25 cent	384.0%
– diluted	(0.71) cent	0.24 cent	(395.8)%

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2019 together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	<i>Notes</i>	For the three months ended 31 March	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Turnover	3	527,909	603,870
Interest income	3	102,385	100,680
Interest expenses	6	(106,973)	(85,216)
Net interest income		(4,588)	15,464
Financial consultancy service income	3	672	42,628
Third party payment service income	3	118,766	79,183
Online investment and technology-enabled lending service income	3	264,182	70,097
Transaction verification service income	3	–	290,470
Others	3	41,904	20,812
		420,936	518,654
Other income	5	23,394	7,700
Other gains and losses		(966)	(2,369)
Administrative and other operating expenses		(637,365)	(633,379)
Share-based payment expenses		(8,582)	(16,590)
Share of results of associates		28,331	20,744
Gain on disposal of hashing power		–	232,669
Gain on disposal of a joint venture		2,580	–
Change in fair value of preference shares of a subsidiary		(3,523)	24,760
Change in fair value of crypto currencies		3	(122,749)
(Loss)/profit before tax	7	(175,192)	29,440
Income tax	8	(12,169)	(15,471)
(Loss)/profit for the period		(187,361)	13,969

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
<i>Note</i>	RMB'000	RMB'000
Other comprehensive expense		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(949)	(48,616)
Share of other comprehensive expense of associates	–	(14,324)
Change in fair value of financial assets at fair value through other comprehensive income	<u>(882)</u>	<u>–</u>
Other comprehensive expense for the period, net of income tax	<u>(1,831)</u>	<u>(62,940)</u>
Total comprehensive expense for the period	<u>(189,192)</u>	<u>(48,971)</u>
(Loss) profit for the period attributable to:		
Owners of the Company	(171,615)	51,288
Non-controlling interests	<u>(15,746)</u>	<u>(37,319)</u>
	<u>(187,361)</u>	<u>13,969</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(172,748)	(10,359)
Non-controlling interests	<u>(16,444)</u>	<u>(38,612)</u>
	<u>(189,192)</u>	<u>(48,971)</u>
	RMB	RMB
(Losses) earnings per share	<i>10</i>	
Basic	<u>(0.74) cent</u>	<u>0.23 cent</u>
Diluted	<u>(0.74) cent</u>	<u>0.22 cent</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2019 have been prepared in accordance with the Hong Kong Accounting Standards and Interpretations and have complied with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

3. TURNOVER

The principal activities of the Group are provision of traditional financing services and related financing consultancy services including entrusted loan service, real estate-backed loan service, pawn loan service, other loan service and microfinance loan service, and internet financing services 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, IT solution services, exhibition services and transaction verification services.

Turnover represents interest income (from entrusted loans, real estate-backed loans, pawn loans, other loans and microfinance loans), financial consultancy service income, third party payment service income, online investment and technology-enabled lending service income, social gaming service income, IT solution service income, sales of IT related products, exhibition service income and transaction verification service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover for the period is as follows:

	For the three months ended 31 March	
	2019 (Unaudited) RMB’000	2018 (Unaudited) RMB’000
Interest income		
Entrusted loan service income	8,311	18,669
Other loan service and real estate-backed loan service income	94,074	82,011
	<u>102,385</u>	<u>100,680</u>
Financial consultancy service income	672	42,628
Third party payment service income	118,766	79,183
Online investment and technology-enabled lending service income	264,182	70,097
Transaction verification service income	–	290,470
Others	41,904	20,812
	<u>41,904</u>	<u>20,812</u>
Turnover	<u>527,909</u>	<u>603,870</u>

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker, who is 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.

The Directors have organised the Group into different segments by the types of services provided.

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

1. Traditional loans and financing – provision of financing services and related financing consultancy services in the People's Republic of China (“PRC”) and Hong Kong;
2. Third party payment service – provision of online third party payment service and prepaid card issue business;
3. Online investment and technology-enabled lending service – provision of internet loan services 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, IT solution service in Vietnam and exhibition services in Hong Kong and PRC.

Segment revenue and results

For the three months ended 31 March 2019 (Unaudited)

	Traditional loans and 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	103,057	118,766	264,182	-	41,904	527,909
Segment results	(69,353)	34,009	(11,160)	(5,756)	(1,728)	(53,988)
Share of results of associates						28,331
Unallocated other income						3,786
Other gains or losses						(966)
Gain on disposal of a joint venture						2,580
Change in fair value of preference shares of a subsidiary						(3,523)
Share-based payment expenses						(8,582)
Interest expenses						(50,954)
Unallocated expenses						(91,876)
Loss before tax						(175,192)

For the three months ended 31 March 2018 (Unaudited)

	Traditional loans and 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	<u>143,308</u>	<u>79,183</u>	<u>70,097</u>	<u>290,470</u>	<u>20,812</u>	<u>603,870</u>
Segment results	<u>59,699</u>	<u>15,074</u>	<u>(80,283)</u>	<u>57,381</u>	<u>1,282</u>	53,153
Share of results of associates						20,744
Unallocated other income						2,782
Other gains or losses						(2,369)
Change in fair value of preference shares of a subsidiary						24,760
Share-based payment expenses						(16,590)
Interest expenses						(33,164)
Unallocated expenses						<u>(19,876)</u>
Profit before tax						<u>29,440</u>

5. OTHER INCOME

	For the three months ended 31 March	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Government grants (Note)	19,608	600
Bank interest income	1,791	1,694
Others	1,995	5,406
	<u>23,394</u>	<u>7,700</u>

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

6. INTEREST EXPENSES

	For the three months ended 31 March	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest on bank and other borrowings	47,693	36,671
Interest on corporate bonds	13,754	1,145
Interest on convertible bonds	45,526	47,400
	<u>106,973</u>	<u>85,216</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	For the three months ended 31 March	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
(a) Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	72,501	93,507
Contribution to defined contribution retirement benefits scheme	12,418	7,372
Share-based payment expenses	8,582	16,590
	<u>93,501</u>	<u>117,469</u>
(b) Other items		
Auditors' remuneration	629	599
Depreciation and amortisation (included in administrative and other operating expenses)	18,043	261,606
Depreciation of right-of-use assets	7,333	–
Net impairment recognised on loan receivable (included in administrative and other operating expenses)	95,769	3,071
Net impairment recognised on trade receivable (included in administrative and other operating expenses)	2,002	–
Net impairment recognised on amount due from an associate (included in administrative and other operating expenses)	82,000	–
Net exchange difference	5,290	3,964
Operating lease expenses in respect of short-term leases	8,735	–
Minimum lease payments paid under operating lease in respect of premises	–	12,668
Fair value change of preference shares of a subsidiary	3,523	(24,760)
Fair value change of provision for financial guarantee (included in administrative and other operating expenses)	152,859	19,633
	<u>152,859</u>	<u>19,633</u>

8. INCOME TAX

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Provision for Hong Kong Profits Tax	–	2,673
Provision for PRC Enterprise Income Tax (the “EIT”)	32,464	12,604
Provision for Vietnam Income Tax	204	194
	<u>32,668</u>	<u>15,471</u>
Deferred tax	(20,499)	–
	<u>12,169</u>	<u>15,471</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 three months ended 31 March 2019, 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%. For the three months ended 31 March 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.
- (iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

During the three months ended 31 March 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.

- (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.

9. DIVIDEND

The Board has resolved not to declare an interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

10. (LOSSES) EARNINGS PER SHARE

Basic (losses) earnings per share

The calculation of basic losses per share for the three months ended 31 March 2019 is based on the loss attributable to owners of the Company of RMB171,615,000 (three months ended 31 March 2018: profit attributable to owners of the Company of RMB51,288,000) and the weighted average of 23,141,315,580 (three months ended 31 March 2018: 22,486,036,950) ordinary shares in issue during the three months ended 31 March 2019.

Diluted (losses) earnings per share

The calculation of diluted losses per share for the three months ended 31 March 2019 is based on the loss attributable to owners of the Company of RMB171,615,000 (three months ended 31 March 2018: profit attributable to owners of the Company of RMB51,288,000) and the weighted average of 23,141,315,580 (three months ended 31 March 2018: 23,303,558,140) ordinary shares in issue during the three months ended 31 March 2019.

For the three months ended 31 March 2019, the computation of diluted losses 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 losses per share.

For the three months ended 31 March 2018, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

As at 31 March 2019, 1,792,039,042 new shares of the Company might be issued pursuant to the outstanding convertible bonds.

11. RESERVES

	Attributable to owners of the Company												Non-controlling interests	Total equity	
	Share capital	Share premium	Statutory reserve	Treasury shares	Retained profits	Investment revaluation reserve	Exchange reserve	Share-based payment reserve	Equity component of convertible bonds	Capital reserve	Special reserve	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	385,717	3,847,122	79,502	-	1,082,603	(123,424)	(20,538)	329,428	128,262	(367,722)	40,000	5,380,950	428,153	5,809,103	
Loss for the period	-	-	-	-	(171,615)	-	-	-	-	-	-	(171,615)	(15,746)	(187,361)	
Other comprehensive expense															
- Exchange differences on translating foreign operations	-	-	-	-	-	-	(251)	-	-	-	-	(251)	(698)	(949)	
- Change in fair value of financial assets through other comprehensive income	-	-	-	-	-	(882)	-	-	-	-	-	(882)	-	(882)	
Total comprehensive expense for the period	-	-	-	-	(171,615)	(882)	(251)	-	-	-	-	(172,748)	(16,444)	(189,192)	
Lapse of share options	-	-	-	-	1,805	-	-	(1,805)	-	-	-	-	-	-	
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	8,582	-	-	-	8,582	-	8,582	
Shares repurchased (Note)	-	-	-	(3,379)	-	-	-	-	-	-	-	(3,379)	-	(3,379)	
Deemed acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	2,567	-	2,567	(11,298)	(8,731)	
Appropriation to statutory reserve funds	-	-	184	-	(184)	-	-	-	-	-	-	-	-	-	
Dividend to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(2,008)	(2,008)	
At 31 March 2019 (Unaudited)	385,717	3,847,122	79,686	(3,379)	912,609	(124,306)	(20,789)	336,205	128,262	(365,155)	40,000	5,215,972	398,403	5,614,375	
At 1 January 2018 (Audited)	373,512	3,492,300	51,119	-	1,677,297	-	(7,118)	275,842	153,853	(851,657)	40,000	5,205,148	361,268	5,566,416	
Effect on adoption of HKFRS 9	-	-	-	-	(24,279)	-	-	-	-	-	-	(24,279)	-	(24,279)	
At 1 January 2018 (Unaudited) (Restated)	373,512	3,492,300	51,119	-	1,653,018	-	(7,118)	275,842	153,853	(851,657)	40,000	5,180,869	361,268	5,542,137	
Profit (loss) for the period	-	-	-	-	51,288	-	-	-	-	-	-	51,288	(37,319)	13,969	
Other comprehensive expense															
- Exchange differences on translating foreign operations	-	-	-	-	-	-	(47,323)	-	-	-	-	(47,323)	(1,293)	(48,616)	
- Share of other comprehensive expense of associates	-	-	-	-	-	-	(14,324)	-	-	-	-	(14,324)	-	(14,324)	
Total comprehensive income (expense) for the period	-	-	-	-	51,288	-	(61,647)	-	-	-	-	(10,359)	(38,612)	(48,971)	
Issue of shares upon exercise of share options	1,475	49,250	-	-	-	-	-	(9,115)	-	-	-	41,610	-	41,610	
Lapse of share options	-	-	-	-	743	-	-	(743)	-	-	-	-	-	-	
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	16,590	-	-	-	16,590	-	16,590	
Appropriation to statutory reserve funds	-	-	682	-	(682)	-	-	-	-	-	-	-	-	-	
Conversion of convertible bonds	463	16,786	-	-	-	-	-	-	(2,385)	-	-	14,864	-	14,864	
At 31 March 2018 (Unaudited)	375,450	3,558,336	51,801	-	1,704,367	-	(68,765)	282,574	151,468	(851,657)	40,000	5,243,574	322,656	5,566,230	

Note:

During January 2019, the Company repurchased 43,212,000 ordinary shares of the Company in aggregate for an aggregate consideration of HK\$3,890,000 (equivalent to approximately RMB3,379,000) (excluding expenses) on the Stock Exchange and all of the purchased shares have not yet been cancelled by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Industry Trends

The FinTech industry in the PRC has experienced the major reshuffle in the past year, and “compliance” has become the main theme of development for the industry. The implementation of various regulatory measures and the acceleration of compliance in the industry have contributed to the industry’s consolidation, which in turn is beneficial to the leading platforms. With the development of the industry and the advancement in technologies on big data and artificial intelligence, intelligent risk control has gradually emerged within the industry. This has enhanced business efficiency and reduced platform risks. The introduction of regulatory policies was conducive to the healthy development of the industry. The FinTech industry will maintain fast and healthy development in compliance with laws under the governance and protection of regulatory authorities.

By leveraging on their comprehensive business qualifications and risk management capabilities, the FinTech platforms of the Group have received affirmation and recognition from the regulatory authorities (such as the People’s Bank of China) and the industry’s associations (such as the National Internet Finance Association of China). We shall continue focusing on the development of payment and technology-enabled lending business and risk management, and have leveraged our technical expertise and business optimisation experience with our Southeast Asian operations. With our ever-growing FinTech service ecosystem, the Group will continue to maintain and consolidate its market leading position.

Operational Highlights

Third party payment

UCF Pay Limited* (先鋒支付有限公司) (“**UCF Pay**”) has dedicated to be a domestic leading service platform of internet financial transaction, and to provide customers with integrated solutions for online + offline payment featuring “secure, convenient, speedy” service. The total transaction volume in the first quarter of 2019 reached around RMB215.7 billion, representing a year-on-year growth of approximately 36%. As of the end of March 2019, the number of UCF Pay’s accumulated active users reached 5.37 million. UCF Pay’s current businesses include: basic payment service and featured industry solutions including bank custody for online lending, direct banking, industry chain finance, cloud-based online lending platform and electronic wallet.

Shanghai Jifu Xinxu Jishu Fuwu Co., Ltd.* (上海即富信息技術服務有限公司) (“**Shanghai Jifu**”), our mobile point of sale (“**POS**”) provider, which is 35% owned by the Group, recorded a total transaction volume of RMB956.7 billion in the first quarter of 2019, representing a year-on-year growth of approximately 52%. The accumulated number of registered users reached 39.53 million as of the end of March 2019. Shanghai Jifu has been focusing on the promotion of DianPOS (點刷) /MPOS and Point POS (點POS) business and has received positive market feedbacks, resulting in a substantial growth in both transaction volume and number of new registered users.

Amigo Technologies Joint Stock Company (“**Amigo Technologies**”) (in which the Group holds a 51% interest), our payment services provider in Vietnam, processed 48,308,334 transactions in the first quarter of 2019, representing a growth of around 16.2% year-on-year. The value of the transactions also went up by 8% year-on-year to record 48.5 trillion VND in total value. The growth rate was largely driven by COD (cash-on-delivery) services and also from various collection services from its growing list of billers.

K&R International Limited (“**K&R International**”), our wholly-owned subsidiary, has adopted effective strategies to improve its performance under the guidance of the Group’s management. In the first quarter of 2019, the company has created an automatic card issuance system by leveraging on the technology upgrade. This has enabled customers to apply for the K&R Card by themselves through K&R’s QR code. The company also issued closed-loop consumer cards with a local catering alliance in Hong Kong, and it has been officially launched in the market. The company has entered into card issuance agreements with two companies in respect of UnionPay prepayment joint cards, and they are expected to be launched in the second quarter of this year.

Online investment and technology-enabled lending

As of the end of the first quarter of 2019, Weshare, our 48%-owned consumer finance platform, had accumulated over 28 million registered users, and accumulated transaction volume of close to RMB3.2 billion in the first quarter of 2019. Weshare continuously believes in the vision of “Technology Big Data Promotes Globalisation of Financial Services”. The Company has been relying on small-scale fast loans, providing large-scale installments and consumer financial services to high-quality customers, and striving to provide better and more affordable internet financial services to its users. Meanwhile, Weshare has improved and upgraded its new generation of big data-driven “Ru Lai risk management (如來風控)” to deliver integrated technology for internet credit, and carried out in-depth cooperations with banks, internet, consumer finance and other institutions. Based on its solid presence in the domestic market, Weshare has been moving forward towards globalisation. So far, Weshare has expanded its business to the Southeast Asia region and Russia by constructing localised online platform with a view to providing local users with internet financial services.

* *the English translation of the Chinese names or words is for information purpose only and should not be regarded as the official translation of such Chinese names or words*

Financial Review

Revenues

For the three months ended 31 March 2019, the Group reported revenues of approximately RMB527.9 million, a decrease of 12.6% period-on-period. The decrease was primarily attributable to the decrease in revenues from blockchain services and traditional loans and financing services of approximately RMB290.5 million and RMB40.2 million, respectively, off-setting increases in revenues from online investment and technology-enabled lending service and third party payment services of approximately RMB194.1 million and RMB39.6 million, respectively. The following table sets forth the Group's revenue by business segments for the three months ended 31 March 2019 and 2018.

	For the three months ended 31 March		2018	
	2019	% of total	2018	% of total
	RMB'000	revenues	RMB'000	revenues
Traditional loans and financing	103,057	19.5	143,308	23.7
Third party payment service	118,766	22.5	79,183	13.1
Online investment and technology-enabled lending service	264,182	50.0	70,097	11.6
Blockchain services	-	-	290,470	48.1
Others	41,904	8.0	20,812	3.5
Total	527,909	100.0	603,870	100.0

Traditional loans and financing

Traditional loans and financing income mainly included 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 19.5% of the Group's total revenues and recorded a decrease of approximately 28.1% period-on-period to approximately RMB103.1 million for the three months ended 31 March 2019. The traditional loans and financing income decreased as a lower effective interest rate, which includes financial consultancy service income, was charged on the loan receivables. A lower effective interest rate was adopted due to an increase in the number of credit-impaired financial assets resulting from poor performance in the customer's industry and early signs of liquidity problems of the customers.

Third party payment service

The third party payment business, which included the provision of online payment transactions, payment system consultancy and related services of UCF Pay and payment transaction service of Amigo Technologies as well as K&R International, generated revenues of approximately RMB118.8 million for the three months ended 31 March 2019, an increase of approximately 50.0% period-on-period. It represented approximately 22.5% of the Group's total revenues of which UCF Pay, Amigo Technologies and K&R International reported revenue of approximately RMB115.1 million, RMB3.1 million and RMB0.6 million, respectively. The increase reflected a significant growth in total transaction volume on our core third party payment platform UCF Pay to RMB215.7 billion for the three months ended 31 March 2019, an increase of approximately 36% period-on-period.

Online investment and technology-enabled lending service

Our online investment and technology-enabled lending service income mainly included income generated by our online consumer lending platform Weshare. For the three months ended 31 March 2019, the Group's online investment and technology-enabled lending business recorded revenues of approximately RMB264.2 million, representing an increase of approximately 276.9% period-on-period. It represented approximately 50.0% of the Group's total revenues.

In December 2017, the promulgation of Circular on the Regulation and Rectification of "Cash Loans" Business and Notice of Review of Rectification Measures by P2P Lending Intermediaries to Improve Lending Risks (collectively known as "**P2P regulations**"), which lead to a decrease in revenue for the first half of 2018. The effect of the P2P regulations began to turnaround during the second half of 2018. Thus, for the three months ended 31 March 2019, the transaction volume recorded approximately RMB3.2 billion (for the three months ended 31 March 2018: approximately RMB2.6 billion), resulting in an increase in the business segment's revenues. Although the revenue increased significantly, the respective provision for financial guarantee, as elaborated below under "Administrative and other operating expenses", also increased. The Group's segment results in the online investment and technology-enabled lending services improved as the Group was able to achieve better economies of scale.

Blockchain Services

Blockchain segment contributed nil (for the three months ended 31 March 2018: approximately RMB290.5 million) revenue to the Group for the three months ended 31 March 2019. It was primarily generated from the blockchain transaction verification services from the Group's industrial-level datacenters.

The significant decrease in such revenue was primarily attributable to the action taken by the Board to scale down its involvement in that segment by locating potential buyers for its mining machines to minimise the business risk of crypto currency mining and did not further purchase mining machines since the second half of 2018, given that the blockchain industry, particularly in the blockchain transaction verification services, began to deteriorate starting in March 2018.

Others

Others included exhibition service income and IT solution income generated by our 51%-owned subsidiary Glory Metro Holdings Limited and 51%-owned subsidiary Amigo Technologies, respectively. The exhibition business and IT solution business contributed approximately RMB10.0 million and RMB28.3 million of revenue to the Group, respectively for the three months ended 31 March 2019.

Interest expenses

Interest expenses mainly comprised interest due on bank and other loans, Hong Kong dollar (“**HK\$**”)-denominated convertible bonds, United States (“**US**”) dollar-denominated convertible bonds, Hong Kong dollar-denominated corporate bonds, US dollar-denominated corporate bonds and Singapore dollar-denominated corporate bonds. The Group’s interest expenses increased by approximately 25.5% period-on-period to approximately RMB107 million for the three months ended 31 March 2019. The increase was primarily attributable to the finance cost on corporate bonds with principal amount of USD30 million and SGD36.8 million, bearing fixed interest rate of 10% and 8% per annum respectively, issued by the Group in March 2018. Those corporate bonds were fully settled in March 2019.

Other income

Other income and gain or loss mainly comprised bank interest income and government grants. The Group’s other income mainly comprised of government grants of RMB19.6 million (for the three months ended 31 March 2018: RMB0.6 million).

Administrative and other operating expenses

The Group’s administrative and other operating expenses primarily comprised salaries and staff welfare, depreciation and amortisation charges, and provision for financial guarantee and financial assets. The Group’s administrative and other operating expenses slightly increased by approximately 0.6% period-on-period to RMB637.4 million for the three months ended 31 March 2019. The slight increase was mainly due to an increase in impairment recognised on financial assets and provision for financial guarantee of approximately RMB176.7 million and RMB133.3 million, respectively, partially off-set by decreases in depreciation and amortisation charges and staff costs, excluding share-based payment expenses, of approximately RMB243.6 million and RMB16.0 million and decrease in the operating costs of crypto currency mining.

Amortisation and depreciation charges were mainly generated from the crypto currency mining machines in the previous year. As abovementioned, no additional crypto currency mining machines were acquired by the Group since second half of 2018 and the existing machines have mostly been fully-depreciated by 2018, respective depreciation charges dropped significantly for the three months ended 31 March 2019.

Provision for financial assets mainly represented provision made on loan receivables and amount due from an associate.

The amount of provision of approximately RMB95.8 million made on loan receivables for the three months ended 31 March 2019 was 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 three months ended 31 March 2019, an increase in credit risk was noted due to, amongst other factors, poor performance observed in the borrower's industries and early signs of liquidity problems, resulting in a higher probability of default used in calculating the provision.

For the impairment assessment over the amount funded to the Group's associate, which primarily operates in manufacturing and trading of crypto currency mining machines for domestic use, a provision of approximately RMB82.0 million was made for the three months ended 31 March 2019 according to the latest financial position of its associate. The amount of provision was calculated based on the net asset value of the associate, which largely consists of raw materials used in manufacturing domestic crypto currency mining machines. Suffering from the deterioration of the blockchain industry, particularly in the blockchain transaction verification services, and market demand for its domestically-used machines, the inventory value held by the associate was further written down, resulting in a decreased net asset value used in calculating the provision.

Provision for financial guarantee of approximately RMB152.9 million made for the three months ended 31 March 2019, represented provision for loan amount facilitated through the loan facilitation platform, namely Weshare. The amount of provision was calculated based on the historical pattern of loan delinquencies. As the P2P regulations began to mature during the second half of 2018, the Group considered that it can tolerate a higher risk level and accepted riskier applications, resulting in an increase in both revenue recognised and provision for financial guarantee made.

Share-based payment expenses

Share-based payment expenses of the Group for the three months ended 31 March 2019 decreased by approximately 48.3% to approximately RMB8.6 million. The decrease in such expenses represented the fair value of certain share options granted, which had been amortised over the vesting periods.

Share of results of associates

Share of results of associates for the three months ended 31 March 2019 increased to approximately RMB28.3 million. The period-on-period increase was mainly attributable to the contribution from our 35% interest in Shanghai Jifu.

Loss for the three months ended 31 March 2019

The loss for the three months ended 31 March 2019 was approximately RMB187.4 million, representing a decrease of approximately 1,441.3% period-on-period as compared to a profit of approximately RMB14.0 million for the three months ended 31 March 2018.

The decrease was mainly due to a decrease in turnover and gain on disposal of hashing power of approximately RMB76.0 million and RMB232.7 million, respectively, and increases in provision for financial assets and guarantee of approximately RMB176.7 million and RMB133.3 million, respectively, despite recording a fair value gain of RMB3.0 thousand for the three months ended 31 March 2019 (for the three months ended 31 March 2018: fair value loss of RMB122.8 million) and decreases in amortisation and depreciation charges, staff costs, including share-based payment expenses, of approximately RMB243.6 million and RMB24.0 million, respectively.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the three months ended 31 March 2019 was approximately RMB171.6 million, a decrease of approximately 434.6% as compared to profit approximately RMB51.3 million for the three months ended 31 March 2018. Excluding the non-recurring gain on disposal of a joint venture, 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 three months ended 31 March 2019 was approximately RMB163.9 million, a decrease of approximately 392.8% as compared to a profit of approximately RMB56.0 million for the three months ended 31 March 2018.

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

The table below sets forth a reconciliation of profit attributable to owners of the Company to non-GAAP profit attributable to owners of the Company for the period indicated:

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss) profit attributable to owners of the Company	(171,615)	51,288
Adjustments for:		
Share-based payment expenses	8,582	16,590
Gain on disposal of a joint venture	(2,580)	–
Change in fair value of preference shares of a 48%-owned subsidiary	1,691	(11,885)
Non-GAAP (loss) profit attributable to owners of the Company	<u>(163,922)</u>	<u>55,993</u>

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 three months ended 31 March 2019, the Group's source of funds was mainly from cash generated from operations. As at 31 March 2019, the Group had bank balances and cash of approximately RMB233.9 million (31 December 2018: approximately RMB391.8 million), of which approximately 32.1%, approximately 55.1%, approximately 0.2%, approximately 2.1% and approximately 10.5% were denominated in RMB, US dollar, Canadian dollar, Vietnamese dong and HK\$ respectively.

The Group's liquidity is significantly affected by the working capital employed into loan receivables through the traditional loan and financing business segment. As at 31 March 2019, the Group's accumulated provision made on loan receivables amounted to approximately RMB763 million (31 December 2018: approximately RMB676 million). Since the fourth quarter of 2018, the Board observed significant impairments made on loan receivables, which were primarily made after assessing the credit risk of each individual borrowers considering, amongst others, the performance of the borrower's industry and liquidity risk of the borrower. Pursuant to the Group's collection policy, the Board will continue to conduct regular interview with borrowers and assess their credit risk, issue default repayment notices and if necessary, take legal action to seize the collateral pledged on the loans. When it comes to the loan extension requests from existing borrowers, the Board considers amongst others, repayment pattern of the loan principle or interests and the loan to value ratio when conducting the assessment. In order to improve the liquidity position of the Group, the Board will continue to closely monitor high risk borrowers during 2019.

As at 31 March 2019, the Group's interest-bearing borrowings, which mainly comprised corporate bonds, convertible bonds, bank and other borrowings, amounted to approximately RMB2,869 million (31 December 2018: approximately RMB3,288.0 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.25 as at 31 March 2019 (31 December 2018: 0.28). The Company will make use of its cash resources, collections from trade and loan receivables, and/or realising certain investments to meet the redemption obligations.

During the period under review, the Group did not use any financial instruments for hedging purposes.

Outlook and Strategies

Third party payment

In 2019, UCF Pay will focus on: 1) enhancing the compliance work in relation to customers, business and systems; 2) active corporation with regulatory institutions to conduct various checks and relevant compliance requirements; 3) constantly enhancing the reliability of key technical systems; and 4) increasing the processing capacities of the payment business to provide better and more compliant payment solutions. In addition, UCF Pay will cooperate with companies engaged in smart cities to provide payment solutions and integrate travel, education, tourism, medical and other resources across various industries into city systems and services. This will increase resource utilization, optimize city management and services and improve the living quality of citizens.

As for the export of FinTech solutions, UCF Pay will continue to support financial institutions such as domestic small and medium-sized banks and small loan companies, maintain and improve custody solutions for online loans of banks, and actively expand bank fund custody business for platform-based enterprises in the e-commerce, logistics and merchandising industries. Meanwhile, UCF Pay will leverage advanced technologies, including artificial intelligence, big data and cloud computing, and improve solutions for financial industries such as direct banking, smart credit risk control system and cloud platform for online lending. As for the cross-border RMB payment business, UCF Pay will continue to intensify the development in vertical sectors, and focus on three market segments, namely cross-border e-commerce, travelling tickets and boarder trade. This will further optimize the business model of cross-border RMB payment, enrich product functions and improve its performance. Since UCF Pay's expansion into the international markets, it has already established the presence in Southeast Asia and will continue to offer products to meet the local demand. Meanwhile, it also plans to expand the mobile payment market in the Middle East with its preliminary focus on Saudi Arabia.

Shanghai Jifu will focus on promoting smart POS which provides convenient and integrated payment services, the core advantages for Shanghai Jifu. The company plans to capture its growth potential in payment market and explore customers' financial needs to offer comprehensive financial services for small and micro businesses. The transition from the payment segment to the financial sector will transform the business from payment to "payment+".

In 2019, K&R International will focus on:

- 1) e-wallet account products. To meet customers' demands for mobile payment service, the company plans to launch the first virtual product to help expand the use cases supported by the prepaid card of Global Payment (環球通), and to prepare for future mobile payment offerings;

- 2) issuance of theme based prepaid cards. It plans to issue theme based prepaid cards including health, food and travel in the second half of 2019. Theme based prepaid cards will be used to provide quality services such as discounts and priority services to targeted customer groups;
- 3) expansion of sales channels and optimisation of top-up channels; and
- 4) export of FinTech capabilities on stored value facilities. By adopting Open Application Programming Interface (API) model based on Soft Development Kit (SDK), K&R International will actively expand to serve platform-based enterprises such as large e-commerce companies, telecommunication operators and innovation-driven catering content providers. Leveraging Electronic Know Your Consumer (EKYC) products dedicated to artificial intelligence and effective anti-money laundering mechanism, FinTech on stored value facilities will be exported to enhance customer loyalty. The product line of K&R International will be expanded from Business to Consumer (B2C) model to Business to Business to Consumer (B2B2C) model.

As part of the alliance with Vietnam Post, Amigo Technologies has been developing a consumer finance module on top of the current Paypost financial platform with Vietnam Post based on big data technology. We target to launch the product in the second quarter of this year with features such as credit scoring, loan disbursement via branches and mobile wallet.

Online investment and technology-enabled lending

Weshare will establish a five-in-one product and business system containing “instant microcredit, large amount of installments, Weshare Buy, cloud Software as a Service (SaaS) platform and traffic distribution platform” to invigorate traditional financial services and connect to a new consumption ecosystem. Weshare will further strengthen its capabilities in inclusive finance serving the public, open platform, efficient value delivery, data-driven operation, and consumer scenario adaptation. In terms of the business development, Weshare will promote the integration of the internet credit and scenario consumption, establish online scenario operation model and serve users directly to improve their experience. Weshare will continue to deliver its technology capabilities in Weshare cloud platform and cooperate with high quality partners to jointly create consumer finance products. Those products will provide corporate customers with multiple core value services covering data, technology, risk control and asset management, and deepen multi-sectors collaboration. Moreover, Weshare will further expand its global presence and continue to export FinTech to the world. It will keep strengthening the development of artificial intelligence application and blockchain technology in the credit facilitation and reporting areas, gradually build itself into an industrial router and create an industrial ecosystem for its value realisation.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During January 2019, the Company repurchased 43,212,000 ordinary shares of the Company in aggregate for an aggregate consideration of HK\$3,840,000 (equivalent to approximately RMB3,379,000) (excluding expenses) on the Stock Exchange.

Save as disclosed above, 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 three months ended 31 March 2019 and up to the date of this first quarterly announcement.

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 and all the requirements of the GEM Listing Rules during the three months ended 31 March 2019.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its securities dealing code (the “**Own Code**”) regarding dealings in the Company’s securities by the Directors 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 three months ended 31 March 2019 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 during such period.

Events after the Reporting Period

There has been no occurrence of events that had a significant impact on the Group’s operation, financial and trading prospects since 31 March 2019 and up to the date of this first quarterly announcement.

Review by Audit Committee

The audit committee of the Board (the “**Audit Committee**”) currently comprises four members, namely Mr. Ge Ming (chairman), Dr. Ou Minggang, Dr. Wang Songqi and Dr. Yin Zhongli, all being independent non-executive Directors.

The Group's condensed consolidated financial statements for the three months ended 31 March 2019 were not audited by the Company's independent auditors but the same and this first quarterly announcement have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 7 May 2019

As at the date of this first quarterly announcement, the Directors are:

Executive Directors:

Mr. Phang Yew Kiat (*Vice-Chairman and Chief Executive Officer*)

Mr. Chng Swee Ho

Mr. Sheng Jia

Mr. Yang Jianhui

Non-executive Directors:

Mr. Li Gang

Mr. Zhang Zhenxin

Ms. Li Shuang

Independent Non-executive Directors:

Mr. Ge Ming

Dr. Ou Minggang

Dr. Wang Songqi

Dr. Yin Zhongli

This first quarterly 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 and also be posted on the website of the Company (www.csfgroup.com).