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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RESPECT TO
ANNUAL RESULTS AND ANNUAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2018**

Reference is made to the annual results announcement and annual report of Chong Sing Holdings Fintech Group Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 December 2018 (the “2018 Annual Report”) published by the Company on 26 and 29 March 2019 respectively. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2018 Annual Report.

In addition to the information provided in the 2018 Annual Report, the Directors would like to provide the following supplemental information in relation to impairment of loan and trade receivables, amount due from an associate, other receivables, goodwill and intangible assets.

IMPAIRMENT OF LOAN RECEIVABLES AND TRADE RECEIVABLES

For the year ended 31 December 2018, the amount of provision of approximately RMB595.2 million made on loan receivables and the respective amount of provision of approximately RMB64.0 million and RMB64.1 million made on interest receivables and receivables for provision of social gaming service both being the trade receivables, were calculated based on the credit risk assessment of each individual borrowers or trade receivables and a probability of default including the consideration of relevant macroeconomic variables. During the year ended 31 December 2018, an increase in credit risk was noted due to, amongst other factors as further elaborated below, poor performance observed in the borrower’s industries and early signs of liquidity problems, for example, extension application were made by the borrowers before or upon their loan expiry date, resulting in a higher probability of default used in calculating the provision.

The Group observed a significant increase in loan-to-value ratio, which is caused by the decrease in share price of the listed shares held as collateral, on which the stock price may be suffered from US-China trade war impact since the mid of 2018. Furthermore, mobile gaming industry were facing a decline in operation as a result of the changes in the regulatory policies made by the Chinese relevant industry regulatory authorities, including but not limited to a halt to issue online games monetization licence (known as “banhao” or “遊戲出版號”) approvals, and thus, the customers operating in the industry suffered a poor performance. All the above key factors drove up the default risk associated with the borrowers.

As a result, appropriate impairment losses were made on loan and trade receivables accordingly.

When it comes to the extension application made by the borrowers, the Group would consider granting approval to such request if such borrower was able to demonstrate the followings at the date of extension:

1. it has temporary liquidity issue but without liquidation indicator or with affordable financial position/situation;
2. it was recurring borrower with fair repayment history;
3. no negative news or outstanding litigation by conducting external research report (including credit report)/background check on the borrower;
4. it is easy and willing to conduct regular interview; and/or
5. it is the borrower’s first time to apply for extension.

IMPAIRMENT OF AMOUNT DUE FROM AN ASSOCIATE

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 RMB403.9 million was made for the year ended 31 December 2018 according to the latest financial position of the 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 low market demand for its domestically used machines, the bitcoin market price dropped significantly from US\$15,004 in the beginning of 2018 to US\$3,784 at the end of 2018, representing a 75% decrease. Furthermore, the legal status of bitcoin varies substantially in different regions with differing regulatory implications. The combined effect of the decrease in price of bitcoin

and uncertainty of the legality of bitcoin drove the selling price and demand for the inventory downwards. The associate realised such net realisable value problem and made an impairment for the inventory in its accounting records accordingly. Such impairment significantly decreased the net asset value of the associate. Due to a clear indication of an increase in liquidity and default risk for the funding provided to the associate, the Group impaired such funding included in the amount due from associate according to its latest net asset value.

IMPAIRMENT OF OTHER RECEIVABLES

The net impairment on other receivables of approximately RMB182.8 million represented the provision made on a deposit placed for acquisition of industrial crypto currency mining machines and consideration receivable for the sale of crypto currency mining machines. As explained above, the combined effect of the decrease in price of bitcoin and uncertainty of the legality of bitcoin resulted in a downfall for the industry. The Group identified significant risks in further acquiring crypto currency mining machines and thus opted to withdraw from further payments for the acquisition. Similarly, the Group assessed the recoverability of the consideration receivable for the sale of crypto currency mining machines and for prudence, made full provision on both deposits and consideration receivable.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During the year ended 31 December 2018, the Group recognised impairment losses on goodwill and intangible assets of RMB100 million and RMB32.9 million respectively, arising from operations in the social gaming service industry. When assessing the impairment amounts for goodwill and intangible assets, the Group considers the estimation of the value in use of the cash generating unit (the “CGU”) to which goodwill and intangible assets have been allocated, after taking into consideration of key assumptions. For the intangible assets, individual cash generating unit for each social game are conducted for impairment assessment. Because those impaired social games, which were purchased in the beginning of 2018, have not been launched since its acquisition date, zero CGU is expected. Thus, full impairment of such intangible assets amounting to RMB32.9 million was provided for the year ended 31 December 2018. On the other hand, the recoverable amount of the CGU attributable to the Group decreased to RMB108.3 million (2017: RMB438.0 million) due to the effect made on key assumptions such as growth and discount rate in order to reflect the decline of the industry, as mentioned in “Impairment Of Loan Receivables And Trade Receivables” above. Accordingly, an appropriate impairment loss amounting to RMB100 million was made on goodwill accordingly.

The above additional information does not affect the financial information (including consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position) and other information contained in the 2018 Annual Report. Save as disclosed in this announcement, the remaining contents of the 2018 Annual Report remain unchanged.

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

Hong Kong, 13 September 2019

As at the date of this announcement, the directors of the Company (the “**Directors**”) are:–

Executive Directors:

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

Non-executive Directors:

Mr. Zhang Zhenxin
Ms. Li Shuang
Mr. Sheng Jia
Mr. Chng Swee Ho

Independent Non-executive Directors:

Mr. Ge Ming
Dr. Ou Minggang
Dr. Wang Songqi

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 published 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.