



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 2020

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FINANCIAL HIGHLIGHTS

First Quarter of 2020

	For the three months ended 31 March		Period-on- period changes
	2020 (Unaudited) <i>RMB'000</i>	2019 (Unaudited) <i>RMB'000</i>	
Operating Results			
Revenue	93,829	527,909	(82.2)%
Loss for the period	(63,264)	(187,361)	66.2%
Loss attributable to owners of the Company	(59,375)	(171,615)	65.4%
Non-GAAP loss attributable to owners of the Company	(57,877)	(163,922)	64.6%
	<i>RMB</i>	<i>RMB</i>	
Loss per share			
– basic	(0.26) cent	(0.74) cent	64.9%
– diluted	(0.26) cent	(0.74) cent	64.9%
Non-GAAP loss per share			
– basic	(0.25) cent	(0.71) cent	64.8%
– diluted	(0.25) cent	(0.71) cent	64.8%

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 2020 together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	<i>Notes</i>	For the three months ended 31 March	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	3	93,829	527,909
Interest income	3	58,544	102,385
Interest expenses	6	(98,253)	(106,973)
Net interest expenses		(39,709)	(4,588)
Financial consultancy service income	3	–	672
Third party payment service income	3	3,295	118,766
Online investment and technology-enabled lending service income	3	–	264,182
Others	3	31,990	41,904
		(4,424)	420,936
Other income	5	762	23,394
Other gains and losses		–	(966)
Administrative and other operating expenses		(59,618)	(637,365)
Share-based payment expenses		(1,498)	(8,582)
Share of results of associates		6,550	28,331
Gain on disposal of a joint venture		–	2,580
Change in fair value of preference shares of a subsidiary		–	(3,523)
Change in fair value of crypto currencies		–	3
Loss before tax	7	(58,228)	(175,192)
Income tax	8	(5,036)	(12,169)
Loss for the period		(63,264)	(187,361)

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
<i>Notes</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	(440)	(949)
Change in fair value of financial assets at fair value through other comprehensive income	—	(882)
	<u> </u>	<u> </u>
Other comprehensive expense for the period, net of income tax	(440)	(1,831)
	<u> </u>	<u> </u>
Total comprehensive expense for the period	<u>(63,704)</u>	<u>(189,192)</u>
Loss for the period attributable to:		
Owners of the Company	(59,375)	(171,615)
Non-controlling interests	(3,889)	(15,746)
	<u> </u>	<u> </u>
	<u>(63,264)</u>	<u>(187,361)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(59,815)	(172,748)
Non-controlling interests	(3,889)	(16,444)
	<u> </u>	<u> </u>
	<u>(63,704)</u>	<u>(189,192)</u>
	RMB	RMB
Loss per share	<i>10</i>	
Basic	<u>(0.26) cent</u>	<u>(0.74) cent</u>
Diluted	<u>(0.26) cent</u>	<u>(0.74) 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 2020 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 2019.

3. REVENUE

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, and exhibition 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, and exhibition 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	
	2020 (Unaudited) RMB’000	2019 (Unaudited) RMB’000
Interest income	58,544	102,385
Financial consultancy service income	–	672
Third party payment service income	3,295	118,766
Online investment and technology-enabled lending service income	–	264,182
Others	31,990	41,904
Revenue	<u>93,829</u>	<u>527,909</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 2020 (Unaudited)

	Traditional loans and financing <i>RMB'000</i>	Third party payment service <i>RMB'000</i>	Online investment and technology- enabled lending service <i>RMB'000</i>	Blockchain services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
REVENUE						
External income and gain	58,544	3,295	-	-	31,990	93,829
Segment results	37,669	(9,168)	-	-	(9,009)	19,492
Share of results of associates						6,550
Unallocated other income						444
Share-based payment expenses						(1,498)
Interest expenses						(81,578)
Unallocated expenses						(1,638)
Loss before tax						(58,228)

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	<u>103,057</u>	<u>118,766</u>	<u>264,182</u>	<u>-</u>	<u>41,904</u>	<u>527,909</u>
Segment results	<u>(69,353)</u>	<u>34,009</u>	<u>(11,160)</u>	<u>(5,756)</u>	<u>(1,728)</u>	<u>(53,988)</u>
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						<u>(91,876)</u>
Loss before tax						<u>(175,192)</u>

5. OTHER INCOME

	For the three months ended 31 March	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Government grants (Note)	318	19,608
Bank interest income	444	1,791
Others	<u>-</u>	<u>1,995</u>
	<u>762</u>	<u>23,394</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	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest on bank and other borrowings	21,485	47,693
Interest on corporate bonds	1,330	13,754
Interest on convertible bonds	–	45,526
Interest on lease liabilities	82	–
Additional default interest accrued on borrowings, corporate bonds and convertible bonds (<i>note</i>)	75,356	–
	<u>98,253</u>	<u>106,973</u>

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

7. LOSS BEFORE TAX

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

	For the three months ended 31 March	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
(a) Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	6,662	72,501
Contribution to defined contribution retirement benefits scheme	543	12,418
Share-based payment expenses	1,498	8,582
	<u>8,703</u>	<u>93,501</u>

	For the three months ended 31 March	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
(b) Other items		
Auditors' remuneration	359	629
Depreciation and amortisation (included in administrative and other operating expenses)	12,857	18,043
Depreciation of right-of-use assets (included in administrative and other operating expenses)	2,067	7,333
Net impairment recognised on loan receivable (included in administrative and other operating expenses)	–	95,769
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
Operating lease expenses in respect of short-term leases	–	8,735
Fair value change of preference shares of a subsidiary	–	3,523
Fair value change of provision for financial guarantee (included in administrative and other operating expenses)	–	152,859
	<u>–</u>	<u>152,859</u>

8. INCOME TAX

	For the three months ended 31 March	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
Current tax		
Provision for Hong Kong Profits Tax	1,552	–
Provision for PRC Enterprise Income Tax (the "EIT")	4,329	32,464
Provision for Vietnam Income Tax	–	204
	<u>5,881</u>	<u>32,668</u>
Deferred tax	(845)	(20,499)
	<u>5,036</u>	<u>12,169</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 2020 and 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%.
- (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 2020 and 2019, 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 2020 (three months ended 31 March 2019: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the three months ended 31 March 2020 is based on the loss attributable to owners of the Company of RMB59,375,000 (three months ended 31 March 2019: loss attributable to owners of the Company of RMB171,615,000) and the weighted average of 23,141,315,580 (three months ended 31 March 2019: 23,141,315,580) ordinary shares in issue during the three months ended 31 March 2020.

Diluted loss per share

The calculation of diluted loss per share for the three months ended 31 March 2020 is based on the loss attributable to owners of the Company of RMB59,375,000 (three months ended 31 March 2019: loss attributable to owners of the Company of RMB171,615,000) and the weighted average of 23,141,315,580 (three months ended 31 March 2019: 23,141,315,580) ordinary shares in issue during the three months ended 31 March 2020.

For the three months ended 31 March 2020 and 2019, 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 March 2020, 1,792,039,042 new shares of the Company might be issued pursuant to the outstanding convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

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. This trend has continued on in 2020. 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; deepening research and development of technology applications, and continue to innovate technology to empower financial businesses. FinTech in hindsight is ahead of regulations. Few of impending licenses did not materialise 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 unprecedented in the Group’s operating history in response to those changes and expects to gradually transform and restructure the business overall.

Operational Highlights

Third party payment

Shanghai Jifu Xinxi 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 RMB801.5 billion in the first quarter of 2020, representing a year-on-year decrease of approximately 16%. The accumulated number of registered users reached 42.79 million as of the end of March 2020.

Amigo Technologies Joint Stock Company (“**Amigo Technologies**”) (in which the Group holds a 51% interest), our payment services provider in Vietnam, processed 51,548,718 transactions in the first quarter of 2020, representing a growth of around 6.7% period-on-period. This happened despite the fact that the transaction amount slightly decrease to 46.9 trillion VND in total value, representing a decrease of 3.3% period-on-period. Amigo Technologies expects a strong 2nd quarter performance as a result of the economy recovery following the coronavirus outbreak.

Amidst the success achieved in 2019 through developing new payment products and service platforms to meet customers' needs and better the user experience, K&R International began to observe a decline due to the impact coronavirus had on the economy and consumer needs. Despite this, K&R International is committed to strengthen its products and during the first half of 2020, the e-wallet mobile function was terminated in order to integrate product lines and improve service quality.

FINANCIAL REVIEW

Revenues

For the three months ended 31 March 2020, the Group reported revenues of approximately RMB93.8 million, a decrease of 82.2% period-on-period. The decrease was primarily attributable to the decrease in revenues from online investment and technology-enabled lending service, third party payment service, traditional loans and financing services and others segment of approximately RMB264.2 million, RMB115.5 million, RMB44.5 million and RMB9.9 million, respectively. The following table sets forth the Group's revenue by business segments for the three months ended 31 March 2020 and 2019.

	For the three months ended 31 March 2020		2019	
	RMB'000	% of total revenues	RMB'000	% of total revenues
Traditional loans and financing	58,544	62.4	103,057	19.5
Third party payment service	3,295	3.5	118,766	22.5
Online investment and technology-enabled lending service	–	–	264,182	50.0
Others	31,990	34.1	41,904	8.0
Total	93,829	100.0	527,909	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. It generated approximately 62.4% of the Group's total revenues and recorded a decrease of approximately 43.2% period-on-period to approximately RMB58.5 million for the three months ended 31 March 2020. The decrease in revenue in this segment was because no interest income was recognised on those credit impaired receivables during the period.

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 RMB3.3 million for the three months ended 31 March 2020, a decrease of approximately 97.2% period-on-period. It represented approximately 3.5% of the Group's total revenues of which UCF Pay, Amigo Technologies and K&R International reported revenue of approximately RMBNil, RMB2.8 million and RMB0.5 million, respectively. The decrease was mainly due to the temporary suspension since July 2019 of UCF Pay's operations, as detailed in the 2019 annual report.

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 2020, the Group's online investment and technology-enabled lending business recorded revenues of approximately RMBNil. It represented 0.0% of the Group's total revenues. During the fourth quarter of 2019, the general guidelines from the central government of China were to promote the beginning exit of most online lending businesses and seek alternatives or transformation of such business. As a result during the period, Weshare was in the final stages of exiting the online lending business and did not record any transactions during 2020, while exploring different avenues to transform its existing business.

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 increase was mainly due to Amigo Technologies' solid business during the period, offsetting the poor performance in the exhibition service industry which Glory Metro Holdings Limited operated in.

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, and US dollar-denominated corporate bonds. The Group's interest expenses decreased by approximately 8.2% period-on-period to approximately RMB98.3 million for the three months ended 31 March 2020. The decrease was primarily attributable to the finance cost on corporate bond with principal amount of SGD36.8 million, bearing fixed interest rate of 8% per annum, issued by the Group in March 2018 and fully settled in March 2019. Thus, no interest was incurred in relation to the aforementioned corporate bond.

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 RMB0.3 million (for the three months ended 31 March 2019: RMB19.6 million). The decrease was mainly due to Weshare exiting the online investment and technology-enabled lending industry of which a substantial part of the government grant in the prior period originated.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, and depreciation and amortisation charges and decreased by approximately 90.6% period-on-period to RMB59.6 million for the three months ended 31 March 2020. The decrease was mainly due to no additional impairment losses during the period, as the credit risk assessment was performed during the end of 2019 and subsequently up to the reporting date. For the period ended 31 March 2020, there were no material indicators for credit impairment noted and the Group is in view that sufficient impairment was made. Additionally, cost saving measures adopted by the Group along with Weshare's beginning exit of its industry, as detailed in the above regarding revenue of "Online investment and technology-enabled lending services", resulted in a significant decrease in staff cost and other administrative expenses.

Share-based payment expenses

Share-based payment expenses of the Group for the three months ended 31 March 2020 decreased by approximately 82.5% to approximately RMB1.5 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 2020 decreased to approximately RMB6.6 million. The period-on-period decrease was mainly attributable to the declined performance from our 35% interest in Shanghai Jifu.

Loss for the three months ended 31 March 2020

The loss for the three months ended 31 March 2020 was approximately RMB63.3 million, compared to a loss of approximately RMB187.4 million for the three months ended 31 March 2019.

The decrease in loss was mainly due to decreases in revenue, government grants and share of results of associates of RMB434.1 million, RMB19.3 million and RMB21.8 million, respectively, offsetting decreases in administrative and other operating expenses, interest expenses and share-based payment expenses of RMB577.8 million, RMB8.8 million and RMB7.1 million, respectively.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the three months ended 31 March 2020 was approximately RMB59.4 million, a decrease of approximately 65.4% as compared to a loss of approximately RMB171.6 million for the three months ended 31 March 2019. 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 2020 was approximately RMB57.9 million, a decrease of approximately 64.7% as compared to a loss of approximately RMB163.9 million for the three months ended 31 March 2019.

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss attributable to owners of the Company	(59,375)	(171,615)
Adjustments for:		
Share-based payment expenses	1,498	8,582
Gain on disposal of a joint venture	–	(2,580)
Change in fair value of preference shares of a 48%-owned subsidiary	–	1,691
	<u>–</u>	<u>1,691</u>
Non-GAAP loss attributable to owners of the Company	<u>(57,877)</u>	<u>(163,922)</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 2020, the Group’s source of funds was mainly from cash generated from operations. As at 31 March 2020, the Group had bank balances and cash of approximately RMB111.1 million (31 December 2019: approximately RMB183.9 million), which were mainly denominated in RMB, US dollar, Vietnamese dong and HK\$.

As at 31 March 2020, the Group's interest-bearing borrowings (including lease liabilities), which mainly comprised corporate bonds, convertible bonds, bank and other borrowings, amounted to approximately RMB2.6 billion (31 December 2019: approximately RMB2.6 billion). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.41 as at 31 March 2020 (31 December 2019: 0.43). 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 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 antimoney 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 three months ended 31 March 2020 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 2020.

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 2020 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 2020 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 three members, namely Ms. Zhou Zhan (chairman), Mr. Wang Cheng Qing and Mr. Bu Fan Cheng, all being independent non-executive Directors.

The Group’s condensed consolidated financial statements for the three months ended 31 March 2020 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

Hu Xiuren

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 15 May 2020

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

Executive Directors:

Mr. Hu Xiuren (*Chairman and Chief Executive Officer*)

Mr. Wong Ka Bo, Jimmy

Non-executive Directors:

Ms. Li Shuang

Mr. Sheng jia

Independent Non-executive Directors:

Ms. Zhou Zhan

Mr. Bu Fan Cheng

Mr. Wang Cheng Qing

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).