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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)

**(1) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
QUARTERLY UPDATE ON DEVELOPMENT OF  
SUSPENSION OF TRADING AND KEY FINDINGS OF  
INTERNAL REVIEW COMMITTEE OF THE COMPANY;  
AND**

**(2) RESUMPTION PLAN OF THE COMPANY AND ITS PROGRESS**

The announcement is made by Chong Sing Holdings FinTech Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 17.10(1) and 17.26A of The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong).

Reference is made to the announcements (the “**Announcements**”) of the Company dated (i) 8 July 2019 in relation to the trading halt in the shares of the Company (the “**Shares**”) on the GEM of the Stock Exchange since 9:00 a.m. on 8 July 2019 (Monday), (ii) 9 August 2019 in relation to the resumption guidance (the “**Resumption Guidance**”) given to the Company by the Stock Exchange and the Company’s delay in publishing its interim results announcement (the “**2019 Interim Results Announcement**”) and dispatching its interim report (the “**2019 Interim Report**”) in respect of the six months ended 30 June 2019, (iii) 16 August 2019 in relation to the additional resumption guidance (the “**Additional Resumption Guidance**”) given to the Company by the Stock Exchange, (iv) 4 October 2019 in relation to the quarterly update on development of suspension of trading, (v) 7 January 2020 in relation to the quarterly update on development of suspension of trading (vi) 7 April 2020 in relation to the quarterly update on development of suspension of trading and key findings of internal review committee of the Company (the “**Key Findings Announcement**”), (vii) 7 April 2020 in relation to the 2019 Interim Results Announcement, (viii) 7 April 2020 in relation to the third quarterly results for the nine months ended 30 September 2019 of the Company (the “**2019 Third Quarterly Results Announcement**”), (ix) 30 April 2020 in relation to the annual results for the year ended 31 December 2019 of the Company (the “**2019 Annual Results Announcement**”) and (x) 15 May 2020 in relation to the first quarterly results for the three months ended 31 March 2020 (the “**2020 First Quarterly Results Announcement**”) as well as (xi) the 2019 Interim Report, (xii) the third quarterly report for the nine months ended 30 September 2019 of the Company (the “**2019 Third Quarterly Report**”), (xiii) the annual report for the year ended 31 December 2019 of the Company (the “**2019 Annual Report**”) and (xiv) the first quarterly report for the three months ended 31 March 2020 (the “**2020 First Quarterly Report**”).

Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless stated otherwise.

In addition to the information provided in the Announcements, the Board would like to provide the following supplemental information and details in relation to key findings of the internal review committee of the Company (the “**Internal Review Committee**”) and the resumption plan of the Company (the “**Resumption Plan**”). Save as disclosed in this Announcement, all other contents set forth in the Announcements are correct and remain unchanged.

## BACKGROUND

On 8 July 2019, the Company's material subsidiary in People's Republic of China ("PRC"), namely UCF Pay Limited ("UCF Pay") has been requested by certain regulatory authority of PRC (the "PRC Regulatory Authority") to take serious remedial actions for certain material non-compliance relating to its business operation (the "Non-compliance"). UCF Pay has suspended its operations temporarily since or about 8 July 2019 following the on-site inspection of the PRC Regulatory Authority and at the request of the Company, trading in Shares on the GEM has been suspended since 9:00 a.m. on 8 July 2019.

On 7 August 2019, the Company received from the Stock Exchange the following Resumption Guidance:

- (a) conduct an appropriate investigation into certain material non-compliance relating to the UCF Pay, assess the impact(s) on the Company's business operation and financial position, announce the findings and impact(s), and take appropriate remedial actions;
- (b) demonstrate the Company's compliance with continuing obligations under Rule 17.26 of the Listing Rules to carry out a sufficient level of operations or have assets of sufficient value to warrant the continued listing of the Shares; and
- (c) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

On 15 August 2019, the Company received from the Stock Exchange the Additional Resumption Guidance to publish all outstanding financial results and address any audit modifications.

As disclosed in the Key Findings Announcement, since or about 25 July 2019 following the Non-compliance, the Company established the Internal Review Committee which consists of Mr. Phang Yew Kiat ("Mr. Phang") and Mr. Wong Ka Bo Jimmy ("Mr. Wong") for investigation of the Non-compliance. The Internal Review Committee has completed the investigation and its key findings were set out in the Key Findings Announcement.

## PROCEDURES CONDUCTED BY THE INTERNAL REVIEW COMMITTEE

Reference is made to the Key Findings Announcement in relation to the procedures conducted by the Internal Review Committee. The Board wishes to provide the following information on all procedures conducted by the Internal Review Committee in conducting its investigation:

1. A personal meeting between Mr. Wong and PRC Regulatory Authority for discussion of the findings, feedbacks and remedial actions of the PRC Regulatory Authority (the “**Meeting**”): The Company noted an inadvertent typographical error in the Key Findings Announcement and wishes to correct that the date of Meeting should be 9 January 2020, instead of 7 January 2020.

After repeated requests for publication of the findings of the PRC Regulatory Authority, which has yet been released as at today, the Meeting was conducted where Mr. Wong was then able to raise questions in relation to the Non-compliance. The PRC Regulatory Authority orally gave details of findings in the Meeting as well as recommended remedial actions to Mr. Wong;

2. Interview with the Directors and senior management of the Group, including their duties check;
3. Interviews with the UCF Pay (as represented by Mr. Liu Gang (“**Mr. Liu**”), chief executive officer of UCF Pay): Mr. Wong conducted interviews with Mr. Liu, where Mr. Wong questioned Mr. Liu in relation to the Non-compliance for confirming the details disclosed in the Meeting and understanding the management and information technology problem encountered by UCF Pay which caused the Embezzlement (as defined hereinbelow);
4. Several on-site inspections and due diligence works conducted by the Internal Review Committee: Mr. Wong attended the head offices of UCF Pay several times to conduct the on-site inspections since 7 January 2020 and assessed the impact of the Non-compliance on the Group’s business operation and financial position. Prior to the Meeting, the information was mostly given by Mr. Liu. After the Meeting, Mr. Wong confirmed the details discussed therein by assessing the existing documentary evidence of the UCF Pay, including its books and accounting records, with the accounting team of the UCF Pay.

In particular, a sample checking against the records in UCF Pay’s backup data-room (backup procedures of which were confirmed as proper in the IT Audit Report (as defined hereinbelow)) was conducted (the “**Data Sample Checking**”), where Mr. Wong obtained samples from the data-room backup files for the period at the material time of the Non-compliance for testing against the sub-ledger accounts and compared with the findings of the PRC Regulatory Authority.

5. Engagement of independent professionals for verification and assessment of findings, including an independent IT auditor (the “**IT Auditor**”) to conduct an IT audit (scope – Information Technology General Control and Application Control testing) on UCF Pay (including its backup data-room) (the “**IT Audit**”) and an independent firm of external professional valuer (the “**Valuer**”) for valuation of the UCF Pay after taking into consideration of the impact of the Non-compliance for the year ended 31 December 2019; and
6. Company search on Beijing Jingxun Time Technology Co., Limited\* (“**Jingxun**”) which admitted the Embezzlement in the public domain on the shareholdings and directorship.

\* *for identification purpose only*

## **FINDINGS OF THE INTERNAL REVIEW COMMITTEE**

Reference is made to the Key Findings Announcement in relation to the key findings of the Internal Review Committee. The Board wishes to provide the following information on the findings of the Internal Review Committee:

### **A. The reason and process of the Non-compliance**

1. At all material times, UCF Pay had been assisting the PRC Regulatory Authority for its inspection of the background and facts relating to the Non-compliance and such task was already completed as at the time of the Meeting;
2. Upon comparison of the Data Sample Checking with the findings discussed in the Meeting (with immaterial variance of 1%), it is confirmed that Jingxun, being a customer of UCF Pay, had at the material time withdrawn money from the trust fund of the UCF Pay in such amount(s) more than its deposit and thereby embezzled from UCF Pay’s trust funds, mainly sourced from trust funds and a few funding parties (the “**Embezzlement**”). The Embezzlement was in the total sum of approximately RMB1,495,000,000;

3. Jingxun admitted the Embezzlement;
4. According to the report of IT Audit which was completed on 24 March 2020 (the “**IT Audit Report**”), there was no material deficiency on the UCF Pay payment system within its scope. In conclusion, on the best understanding of the Company, the Embezzlement was not caused by systematic error of UCF Pay. It was suspected that the Embezzlement was caused by certain management overriding on the computer code; and
5. In or about July 2019, upon suspicion of the Embezzlement, the PRC Regulatory Authority forthwith alleged the Non-compliance of the UCF Pay, ceased its operation temporarily and conducted on-site inspections.

**B. The Group’s involvement with the Non-compliance**

1. As at the date of this Announcement, the PRC Regulatory Authority had not issued any warning, fine nor charge against UCF Pay. Furthermore, no senior management of the Group was charged nor detained;
2. From the above findings under “The reason and process of the Non-compliance”, there was no evidence showing that UCF Pay had benefited from the Embezzlement;
3. The Group did not hold any share of and in Jingxun and vice versa. The relationship between the Group and Jingxun was that Jingxun is one (of the thousands) of the customers of UCF Pay, which provided customer top-up funds collection and payment services;
4. According to the company search in the public domain, there was no common directorship between the Company and Jingxun;
5. All Directors were responsible for the strategic management and development of the Group as a whole and were not directly involved in the daily management and execution of operation of each business unit or the subsidiary (including UCF Pay) of the Company, which had its own board of directors or management team for independent operation and only reported the same regularly in the meetings between each business unit or subsidiary and the Board only;

6. From the above findings and upon interviews with the Board and senior management of the Group, there was no evidence showing any Director or senior management of the Group was involved with the Embezzlement; and
7. From the above findings, there is no evidence showing any Director or senior management of the Group has benefited from the Embezzlement personally nor any Embezzlement has ended up in the Group's financials.

### **C. Impact of the Non-compliance**

1. Given that UCF Pay is wholly owned by the Company, the PRC Regulatory Authority requested the Company to replenish the Embezzlement; otherwise, UCF Pay will not be allowed to resume its operation and the business service licenses of UCF Pay will be revoked if the Embezzlement is not replenished within a reasonable timeframe. To minimize the financial impact of cessation operation of UCF Pay, UCF Pay has been optimizing the staff headcount and operating running cost;
2. In consideration of the above findings under "The reason and process of the Non-compliance" and "The Group's involvement with the Non-compliance" respectively, in particular (i) no evidence showing any Director or senior management of the Group was involved with the Embezzlement nor any Director or senior management of the Group has benefited from the Embezzlement personally nor any Embezzlement has ended up in the Group's financials; and (ii) Jingxun admitted the Embezzlement, it was considered that the Company should not be liable for the Embezzlement but Jingxun instead;
3. Jingxun had yet replenished the Embezzlement up to the date of the 2019 Annual Results Announcement (i.e. 30 April 2020). It is expected that Jingxun shall require a longer time to replenish the Embezzlement in a reasonable timeframe of 1.5 years from the end of 31 December 2019 (the "**Reasonable Timeframe**"). If Jingxun is unable to replenish the Embezzlement within the Reasonable Timeframe, UCF Pay will not be allowed to resume its operation and the business service licenses of UCF Pay will be revoked in the worst scenario. Then, the aggregated carrying amount of goodwill, intangible assets and other non-current assets attributable to UCF Pay would be subject to impairment subsequent to the year ended 31 December 2019 (as explained further hereinbelow);

4. Upon discussion with the audit committee of the Company (the “**Audit Committee**”) and being approved, the Valuer was engaged for the valuation on UCF Pay after taking into consideration of the financial impact of the Non-compliance with key assumptions elaborated hereinbelow; and
5. Upon engagement of the Valuer to appraise the recoverable amount of the cash generating unit which UCF Pay (“**UCF Pay CGU**”) relates, the key assumptions and inputs adopted in the valuation of the UCF Pay CGU as at 31 December 2019 (below extracted from 2019 Annual Report) under which impact of the Non-compliance had been taken into account:

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

- (a) 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 as abovementioned to reach to the scale of its operation prior to the Non-compliance.
- (b) 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. As at this stage, it is suggested that no impairment of UCF Pay CGU is required in preparing the consolidated financial statements of the Group for the year ended 31 December 2019.
- (c) 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 impairment should the Non-Compliance issue become unsolved which led to the operation of UCF Pay endure suspension exceed 1.5 years; and



6. Having consulted the auditor of the Company, as at this stage, no impairment shall be made on financial results and reports of the Company as at 31 December 2019 after taking into consideration hereinabove. Thus, no audit adjustment is suggested on the said assets of UCF Pay, except for the going concern issue of the whole Group as explained in detail in the 2019 Annual Report sub-headed “Additional Information on Going Concern, Mitigation Measure and Auditor’s Disclaimer Opinion” under “Management Discussion and Analysis”.

**D. The possible remedial action to be taken**

*Possible Remedy 1 (the “Possible Remedy 1”)*

1. In order to retain the business service licenses of UCF Pay and resume its operation as usual in a short period of time, with approval of the PRC Regulatory Authority in principle, the Company has discussed with relevant parties for its plan (i.e. the Possible Remedy 1) to replenish the Embezzlement (for and on behalf of Jingxun), which is expected to be very substantial disposal(s) of the Company’s subsidiaries, consideration of which shall be used for replenishment of the Embezzlement and be refunded from Jingxun (collectively, the “VSD”) and accordingly, be subject to notification, announcement, circular and Shareholders’ approval requirements under the Listing Rules;
2. As explained in detail under “Resumption Plan of the Company and its progress” hereinbelow, the initial negotiation of the VSD started in December 2019, including obtaining consents from the secured creditors. However, the outbreak of the Coronavirus Disease 2019 (“COVID-19”) since or about January 2020 greatly interrupted the progress of the investigation of the Internal Review Committee as well as the Company’s ongoing negotiation with the relevant parties, causing a delay of approximately at least 1 to 2.5 months for each action planned by the Company in the Resumption Plan;
3. The Company is now preparing the relevant documents to be submitted in accordance with the Listing Rules, which is expected to take place in the end of June 2020; and
4. Upon completion of the VSD and replenishment of the Embezzlement, UCF Pay may continue to operate as usual. However, upon the completion of VSD, the disposed companies subject to the VSD will no longer be the subsidiary of the Group.

### ***Possible Remedy 2 (the “Possible Remedy 2”)***

1. The Possible Remedy 2 will be pursued in two circumstances:
  - (a) The Company cannot reach an agreement with or obtain the consents from the relevant parties of the VSD two months before the deadline to fulfill the Resumption Guidance and the Additional Resumption Guidance; or
  - (b) The VSD is not completed.

As explained in detail under “Resumption Plan of the Company and its progress” hereinbelow, the Resumption Plan of the Company was delayed and the Company sought to apply for an extension of the said deadline. In the circumstances, if the Company cannot finalize its negotiation with all relevant parties of the VSD under sub-paragraph 1(a) hereof by middle of July 2020, the Possible Remedy 2 will be implemented.

2. In the scenario of the Possible Remedy 2, it is highly possible that the business service licenses of UCF Pay will be revoked, and thus the operation of UCF Pay will be forced to cease. The Group would, without other possible remedy, terminate the relevant structured contracts and cease to own and control any part of UCF Pay accordingly. The expected timeline for completion of Possible Remedy 2 would be approximately 1 month. As a result, the Group would deconsolidate the financial statements of UCF Pay and recognise the impairment loss of the net asset value of UCF Pay by RMB147.8 million (based on the management account as at 31 December 2019).

### **E. Other remedial actions have been/to be implemented**

1. Whilst none of the Directors nor senior management of the Group was directly accountable and the fact that the Non-compliance was suspected to be caused by certain management overriding on the computer code, the Non-compliance did reflect the Company’s deficiency on internal control in its subsidiary’s operation, in particular, the oversight of corporate governance and internal control;

2. Upon suggestion of the Internal Review Committee, the Board enhanced the independency and integrity of the Board and the Internal Review Committee by way of:
  - (a) Restructuring of the Board, including appointment of new chief executive officer, chairman, compliance officer, executive Director and independent non-executive Directors (the “**INEDs**”) of the Company, which was completed in early of May 2020; and
  - (b) Upon the stepping down of Mr. Phang, restructuring of the Internal Review Committee, including invitation of Ms. Zhou Zhan (being an INED and chairperson of the Audit Committee) (“**Ms. Zhou**”) and Mr. Bu Fancheng (being an INED and chairperson of the nomination committee of the Company) (“**Mr. Bu**”), both of whom were not directors of the Group at the material time of the Non-compliance, to the Internal Review Committee and hence, changing the Internal Review Committee into an independent investigation committee (the “**Independent Investigation Committee**”) for further investigation, where necessary. This was completed on 1 June 2020 and as at this stage, the Independent Investigation Committee endorsed the key findings of the Internal Review Committee, basis of view was fully explained under “Views of the Board, the Independent Non-Executive Directors and the Independent Investigation Committee” hereinbelow.
3. The Board is also in the progress of enhancing the scope of each working committee of the Company, in particular, the Audit Committee and setting up an in-house internal audit or engaging an external independent internal audit advisor to review key operational procedures irregularity (if any) with follow-up recommendation, which is expected to completed in late June 2020;

4. Upon suggestion of the Internal Review Committee, the Board engaged an independent internal control advisor (the “**Independent Internal Control Advisor**”), which is an independent IT auditor, for an internal control review relating to the Non-compliance. The independent internal review shall be conducted in 2 phases with details as follows:
  - (a) Phase 1 – expected to be completed in mid-June 2020
    - (i) To conduct internal control review relating to the Non-compliance, in particular, to assess if the Non-compliance is caused by an internal control deficiency within UCF Pay or management overriding; and
    - (ii) To conduct separate internal control review on one of the subsidiaries of the Group which operates in the same business segment with UCF Pay and propose the recommendations on the internal control of the Group, if any.
  - (b) Phase 2 – expected to be completed in end of July 2020
    - (i) To conduct a second review to ensure the recommendations (if any) are taken place properly.

Upon issuance of the report of the Independent Internal Control Advisor (the “**Independent Internal Control Report**”), the Company shall make further announcements as and when appropriate and shall implement the recommendations thereof accordingly.

## **LIMITATIONS OF THE INTERNAL REVIEW COMMITTEE INVESTIGATION**

The limitations as encountered by the Internal Review Committee are as follows:

1. In or about July 2019, upon suspicion of the Embezzlement, the PRC Regulatory Authority forthwith alleged the Non-compliance of the UCF Pay, ceased its operation and conducted on-site inspection. At all material times, the Company had no notice of the Embezzlement and could not access the information relating thereto. Both Internal Review Committee and the Company had no other source but to rely on the findings of the PRC Regulatory Authority; and

2. The PRC Regulatory Authority has yet published its formal findings of the inspection (if any), which is beyond control of the Company, and the findings hereinabove are confirmation of the discussed matters of the Meeting with (1) the existing documentations as obtained from UCF Pay; and (2) interviews with the senior management of the UCF Pay and the Group; (3) company search in the public domain.

#### **VIEWS OF THE BOARD, THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE INDEPENDENT INVESTIGATION COMMITTEE**

Despite the limitations of the investigation of the Internal Review Committee (the “**IRC Investigation**”), with respect to the scope and procedures of the IRC Investigation, the Board, the INEDs and the Independent Investigation Committee considered that they were properly formulated in response to the discovery of the Non-compliance and the findings of the Internal Review Committee were sufficient to enable the Company to properly assess the Non-compliance, including the Company’s business operation and financial impact(s).

The Board, the INEDs and the Independent Investigation Committee were of the view that the composition of the Internal Review Committee facilitated to obtain the information/documents relating to the Non-compliance and the Internal Review Committee with the engagement of the IT Auditor and the Valuer was properly qualified and had the relevant credentials and expertise in conducting the investigation similar to the IRC Investigation and had taken proper, responsive and reasonable actions with a view to ensure the integrity and reliability of the findings of the IRC Investigation within their expertise.

The Board, the INEDs and the Independent Investigation Committee noted the limitations of the IRC Investigation and the remedial actions have been/to be implemented as stated hereinabove. In the circumstances, the Board, INEDs and the Independent Investigation Committee were of the view that the Internal Review Committee had exhausted all viable and necessary procedures which were reasonably practicable in the circumstances to investigate into the Non-compliance and did not expect any further investigation could provide any additional material findings on the Non-compliance as at this stage.

## RESUMPTION PLAN OF THE COMPANY AND ITS PROGRESS

Set out below is the timeline of key actions and events planned by the Company for the Resumption Plan and their actual/expected date of implementation.

The discrepancies between the planned and actual/expected dates of the Resumption Plan are because of restriction on travel to and from Hong Kong and the PRC by the governments and are further explained in Note 18 hereinbelow. Details of the specific arrangements made by the respective governments are stated in Note 9 hereinbelow.

Key actions/events	Planned date	Actual date/ Expected date	Note, if any
Suspension of trading of the Shares	N/A*	8 Jul 2019	
1st request to PRC Regulatory Authority for on-site inspection	8 Jul 2019	8 Jul 2019	1
Set-up of the Internal Review Committee	25 Jul 2019	25 Jul 2019	2
Resumption Guidance Received	N/A*	7 Aug 2019	
Additional Resumption Guidance Received	N/A*	15 Aug 2019	
Discussions between Internal Review Committee, the Board and the Audit Committee	July – Oct 2019	July – Oct 2019	3
2nd request to PRC Regulatory Authority for on-site inspection	Sep – Oct 2019	Sep – Oct 2019	1
Death of Mr. Zhang Zhenxin (“ <b>Mr. Zhang</b> ”)	N/A*	18 Sept 2019	4
Enhancement on the Board composition	Nov 2019	Nov 2019	5
Change of auditor and commencement of annual audit for 2019 (the “ <b>2019 Annual Audit</b> ”)	Dec 2019	Dec 2019	6
Conduction of regular calls/meetings with PRC Regulatory Authority to discuss the matters relating to the Non-compliance	Dec 2019	Dec 2019	7
Further refinement on the scope and methodology of the IRC Investigation	Dec 2019	Dec 2019	7

<b>Key actions/events</b>	<b>Planned date</b>	<b>Actual date/ Expected date</b>	<b>Note, if any</b>
Initial negotiation of the Possible Remedy 1 with relevant parties	Dec 2019	Dec 2019	7
Initial interview with the potential purchaser	Early Jan 2020	7 Jan 2020	7
3rd request to PRC Regulatory Authority for on-site inspection	Early Jan 2020	Early Jan 2020	8
Temporary suspension of on-site inspection	N/A*	End of Jan 2020	9
Limited off-site audit work	N/A*	Feb – Mid Mar 2020	9
Resumption of full-scale inspection	N/A*	Mid Mar 2020	9
Engagement of the IT Auditor	Early Feb 2020	Early Mar 2020	18a
Issuance of the IT Audit Report	Late Feb 2020	24 March 2020	18a
Engagement of the Valuer	Early Feb 2020	Mid Mar 2020	18a
Issuance of the valuation report of the Valuer (the “ <b>Valuation Report</b> ”)	Late Feb 2020	Late Apr 2020	18a
Enhancement on the Board composition	Late Feb 2020	20 Mar 2020	10/18d
Completion of the report of the IRC Investigation (the “ <b>IRC Report</b> ”)	Late Feb 2020	3 Apr 2020	9/18b
Publication of the 2019 Interim Results Announcement and the 2019 Third Quarterly Results Announcement	Early Mar 2020	7 Apr 2020	11/18c
Publication of the 2019 Interim Report and the 2019 Third Quarterly Report	Early Mar 2020	24 Apr 2020	11/18c
Enhancement on the Board composition	Late Feb 2020	29 April 2020	12/18d
Publication of the 2019 Annual Results Announcement	23 March 2020	30 April 2020	13/18c
Engagement of professional parties for the VSD	Late Mar 2020	Early May 2020	14/18f
Engagement of the Independent Internal Control Advisor	Mid Apr 2020	Early May 2020	14/16

<b>Key actions/events</b>	<b>Planned date</b>	<b>Actual date/ Expected date</b>	<b>Note, if any</b>
Publication of the 2019 Annual Report	27 March 2020	15 May 2020	13/18c
Publication of the 2020 First Quarterly Results Announcement	15 May 2020	15 May 2020	13
Publication of the 2020 First Quarterly Report	20 May 2020	20 May 2020	13
Preparation meeting among all professional parties for the VSD	Early Apr 2020	Late May 2020	14/18f
Change of Internal Review Committee into the Independent Investigation Committee	Late Apr 2020	1 Jun 2020	15
Publication of supplement announcement on the key findings of the Internal Review Committee	Mid Apr 2020	17 Jun 2020	17
Issuance of the Independent Internal Control Report	Mid Apr and Late May 2020	Mid Jun and Late Jul 2020	16
Circulation of draft announcement relating to the VSD (the “ <b>VSD Announcement</b> ”) among all professional parties	Mid Apr 2020	Mid Jun 2020	14/18f
Submission of VSD Announcement to the Stock Exchange for approval	Mid Apr 2020	End Jun 2020	14/18f
Publication of announcement on the key findings of the Independent Internal Control Advisor	Mid Apr 2020	Early Jul 2020	16
Enhancement of internal control, including the scope enhancement, especially to mitigate the oversight of corporate governance of the Group	Mid Apr 2020	Early Jul 2020	16
Finalisation of negotiation with the parties involved in the Possible Remedy 1	Early Apr 2020	Mid Jul 2020	14/18e
Obtain clearance on VSD announcement from the Stock Exchange and publication	Late Apr 2020	Mid Jul 2020	14/18f



<b>Key actions/events</b>	<b>Planned date</b>	<b>Actual date/ Expected date</b>	<b>Note, if any</b>
Circulation of draft Circular relating to the VSD (the “ <b>VSD Circular</b> ”) among all professional parties	Mid May 2020	Mid Jul 2020	14/18f
Submission of VSD Circular to the Stock Exchange for approval	Late May 2020	Late Jul 2020	14/18f
Obtain clearance on VSD Circular from the Stock Exchange and publication	Mid Jun 2020	Mid Aug 2020	14/18f
Dispatch of the VSD Circular, notice of extraordinary general meeting (the “ <b>EGM</b> ”) and proxy form	Mid Jun 2020	Mid Aug 2020	14/18f
Obtaining approval of the VSD from the EGM	Late Jun 2020	Late Aug 2020	14/18f
Completion of the VSD	Late Jun 2020	Early Sept 2020	14/18f
Submission to the Stock Exchange for resumption of trading of the Shares	Early Jul 2020	Early Sept 2020	14/18f

\* *No planned dates were applicable as the corresponding event was unforeseen and uncontrollable.*

*Notes:*

1. Since the Non-compliance, the Company made requests to UCF Pay and the PRC Regulatory Authority for an on-site inspection, but was rejected by the PRC Regulatory Authority for the process of its own on-site inspection and did not want to risk any interruption or distraction.
2. At the material time, the Internal Review Committee consisted of Mr. Phang, being vice-chairman of the Company, and Mr. Wong, being assistant financial controller of the Company.
3. Discussions involved:
  - (a) The Internal Review Committee consulting the Board and the Audit Committee on the scope and procedures of the IRC Investigation; and
  - (b) The Board, after careful consideration with the Audit Committee, resolving to publish the Interim Results Announcement and the subsequent financial results (if applicable) pending release of the findings by PRC Regulatory Authority.

4. Due to the sudden news of Mr. Zhang's death in the United Kingdom, and having considered that Mr. Zhang had been a key player in the Group, the PRC Regulatory Authority then requested for more time to re-assess the financial impact and the proposed remedial actions.
5. The Internal Review Committee recommended to strengthen the internal controls, improve its corporate governance, and to consider restructuring the composition of the Board.

The Board, after consideration of the financial status of the Company and the cost-saving approaches, took the initiative:

- (a) On 8 November 2019, to remove Mr. Chng Swee Ho ("**Mr. Chng**") as a non-executive Director and the compliance officer of the Company on the ground that Mr. Chng had been absent from most of the meetings of the Board for six consecutive months since 7 May 2019 without any special leave of absence from the Board. Mr. Phang, the then vice-chairman, chief executive officer and executive Director of the Company, was appointed as the compliance officer as it was considered that Mr. Phang, with extensive experience in the banking industry, should be sufficiently competent to fulfill such role.
- (b) On 18 November 2019, to appoint Mr. Wong as an executive Director of the Company. As a qualified accountant and member of the Hong Kong Institute of Certified Public Accountants, Mr. Wong has extensive experiences working in professional firms and commercial companies in a financial reporting role. The appointment of Mr. Wong as executive Director of the Company also facilitated the Internal Review Committee to obtain the relevant information or documents of the Non-compliance from the PRC Regulatory Authority.

The appointment of Mr. Phang and Mr. Wong also streamlined the reporting line between the Board and Internal Review Committee. The Company acknowledged the risk of independency of the Internal Review Committee and have already taken steps to enhance the same, details of which were stated in Note 15 hereinbelow.

6. In December 2019, the Company had changed auditors from Shinewing (HK) CPA Limited ("**Shinewing**") to McMillan Woods (Hong Kong) CPA Limited ("**McMillan**") under the recommendation of the Board, as McMillan has previous experience in dealing with resumption of share trading with its other clients.
7. With regard to the Non-compliance, the Internal Review Committee continued on-going discussions with the PRC Regulatory Authority to understand the latest update. In response to the discussions, the Internal Review Committee, after consultation with the Board, further refined the scope and methodology of the IRC Investigation. Further, with the understanding of the remedial actions requested by the PRC Regulatory Authority, the Internal Review Committee initiated negotiation with the relevant parties relating to the Possible Remedy 1 and had an interview with the potential purchaser on 7 January 2020.

8. During the on-going discussions held with the PRC Regulatory Authority in December, it was understood that the PRC Regulatory Authority was in its final stage of inspection and the Internal Review Committee consequently requested, for a third time, an on-site inspection, which was granted by the PRC Regulatory Authority. Mr. Wong, acting as the representative of the Internal Review Committee, attended UCF Pay and began conducting on-site investigations and having meetings with the PRC Regulatory Authority, amongst which the framework for the Possible Remedy 1 was discussed and approval in principal was obtained.
9. Arrangements responding to the outbreak of COVID-19 were made by both PRC and Hong Kong government (the “**Arrangements**”), which include (i) on 31 January 2020, the PRC government announced recommendations relating to implementation of social distancing and encouragement of working from home to be enacted before 10 February 2020; (ii) the Hong Kong government issued compulsory 14-day quarantine orders to all individuals entering Hong Kong from PRC with effect from 8 February 2020; and (iii) the PRC issued an announcement dated 14 February 2020 that individuals returning to Beijing are required to quarantine for 14 days.

The Board, considering the social welfare of Mr. Wong, had requested him to return to Hong Kong at his earliest convenience and thus, the on-site inspection at UCF Pay was suspended. Due to the Arrangements, the Company was notified by McMillan that there should be limited off-site audit work until further notice, details of which were explained in Note 18(a) hereinbelow. Full-scale inspection relating to the Non-compliance was resumed in the middle of March 2020 and the IRC Report was completed on 3 April 2020.

10. On 20 March 2020, an announcement was made by the Company for appointments of, after consideration of their respective experience as stated in details therein, Mr. Hu Xiuren (“**Mr. Hu**”) and Ms. Zhou, as an executive Director and INED of the Company respectively, both of which to take effect from 23 March 2020. Furthermore, it was announced that the Board was notified of (i) Mr. Phang stepping down his position as vice-chairman, chief executive officer and executive Director of the Company; and (ii) all of Mr. Ge Ming, Dr. Ou Minggang and Dr. Wang Songqi resigning as INEDs. All of their resignations to take effect from 30 April 2020.
11. Upon issuance of the IRC Report, the Board, after careful consideration with the Audit Committee, resolved to release the 2019 Interim Results Announcement and the 2019 Third Quarterly Results Announcement.
12. On 29 April 2020, an announcement was made by the Company for appointments of, after consideration of their respective experience as stated in details therein, Mr. Bu and Mr. Wang Chengqing as INEDs, both of which to take effect from 1 May 2020. Furthermore, Mr. Hu appointed as chairman, chief executive officer, authorized representative and compliance officer of the Company to take effect from 1 May 2020.

13. Before 30 April 2020, the Company further confirmed with McMillan that sufficient audit work was conducted for the 2019 fiscal year and the Company obtained the signed valuation reports, with no exceptions noted. Thus, the Company published the 2019 Annual Results Announcement on 30 April 2020 and subsequently the 2019 Annual Report on 15 May 2020, along with the unaudited 2020 First Quarterly Results Announcement.
14. In the beginning of May 2020 after publishing the 2019 Annual Results Announcement, the Company resumed negotiation with the relevant parties and engaged separate professional parties, including auditors, financial advisors, legal advisor and valuation experts for the purposes of the VSD. The VSD is the remedial action discussed with the PRC Regulatory Authority in previous months. A preparation meeting between the Company and the relevant professional parties was held in the end of May 2020, where key targets and preliminary expected timeline of the VSD was established and extracted for illustration purposes. The transaction documents of the VSD were finalized in middle of June 2020 and the draft of the VSD Announcement and the VSD Circular were substantially completed. However, the completion of the VSD shall be subject to consents of the relevant parties and the requirements of Listing Rules. If the negotiation with the relevant parties of the VSD cannot be finalized by middle of July 2020, the Company shall implement the Possible Remedy 2.
15. Recommendation to enhance the independency and integrity of the Internal Review Committee was suggested in the IRC Report. After careful consideration, Ms. Zhou and Mr. Bu were invited as members of the Internal Review Committee and the Internal Review Committee was changed into the Independent Investigation Committee, with effect from 1 June 2020. The Independent Investigation Committee now comprises of Mr. Wong, Ms. Zhou and Mr. Bu.
16. In the middle of April 2020, the Board decided that it was advantageous to engage the Independent Internal Control Advisor. The Independent Internal Control Advisor began his work in early June 2020 and its preliminary findings and comments shall be expected to be communicated to the Board in middle of June 2020. Coupled with the review of the external independent internal audit advisor (if any), proper enhancement over corporate governance and internal control shall be implemented accordingly.
17. The Company, after careful consideration, planned to publish a supplemental announcement on the key findings of the Internal Review Committee and the remedies on hand, which was expected to be published in middle of April 2020 if there were no Arrangements as further explained in Note 9 hereinabove.

18. As a result of the Arrangements, which were further elaborated in Note 9 hereinabove, the Company experienced factors outside its controls and were unable to meet the planned date on certain key actions and events of the Resumption Plan by approximately at least 1 to 2.5 months. Below are the key actions and events that were postponed:

(a) Delay in engagement of the IT Auditor and the Valuer

In the course of the 2019 Annual Audit, due to the Arrangements imposed, additional time and resources were required for McMillan to perform additional audit procedures for provision of assurance through using both on-site and off-site channel. Accordingly, there was a delay in performing the 2019 Annual Audit. This resulted in a delay in the engagement of the IT Auditor and the Valuer as well as issuance of their respective reports.

(b) Completion of the on-site inspection of UCF Pay

As explained in Note 9 hereinabove, the on-site inspection of Mr. Wong was halted unexpectedly and Mr. Wong had to complete his remaining investigation off-site. Coupled with the delay in issuance of the IT Audit Report and the Valuation Report as explained in Note 18(a) hereinabove, there was a delay in the issuance of the IRC Report.

(c) Publication of outstanding financial results and reports

As the Company would have to consider the impact of the Non-compliance on the Group, the delay in issuance of the IT Audit Report, the Valuation Report and the IRC Report caused delay in publication of the 2019 Interim Results Announcement, the 2019 Interim Report, the 2019 Third Quarterly Results Announcement and 2019 Third Quarterly Report.

As a result of the delay in the 2019 Annual Audit, there was a delay in the final confirmation received by McMillan and hence, the publication of the 2019 Annual Results Announcement and 2019 Annual Report.

(d) Enhancing the Board composition

The Internal Review Committee suggested to enhance the independency and integrity of the Board for review of the internal control of the Group. As most of the candidates were physically in the PRC at the material time, the Company struggled to conduct timely interviews and faced delay in finalization of the Board composition enhancement.

- (e) Delay in negotiation with parties involved in Possible Remedy 1

Due to the Arrangements, the negotiation process with the potential buyer(s) and secured creditors holding pledged assets, was delayed by approximately 2.5 months. As mentioned in Notes 7 and 8 hereinabove, the initial negotiation was commenced in December 2019 and the beginning framework for Possible Remedy 1 was discussed during the Meeting. The Company initially planned to have in-depth negotiations with the parties involved with Possible Remedy 1 after the 2019 Annual Results Announcement with quantified financial impact of the Non-compliance. The delay in the publication of the financial results and the Arrangements greatly affected the negotiation and due diligence progress.

- (f) Delay in the VSD

Due to the Arrangements, extra time and resources were required for discussion among the Company, the PRC Regulatory Authority and the relevant parties of the VSD. Coupled with the delay in publication of the outstanding financial results and report, the engagement of the professional parties and the relevant process of VSD were later than anticipated.

Due to the uncontrollable factors as explained hereinabove, extra time was anticipated for fulfilling the Resumption Guidance and the Additional Resumption Guidance. Accordingly, the Company is now actively negotiating with the Stock Exchange for extension of deadline to fulfill the same. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

## **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

Trading in Shares on the GEM has been suspended since 9:00 a.m. on 8 July 2019 and will continue to be suspended until further notice pending fulfilment of all the Resumption Guidance and the Additional Resumption Guidance.

**Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

By Order of the Board  
**Chong Sing Holdings FinTech Group Limited**  
**Hu Xiuren**  
*Chairman, Chief Executive Officer  
and Executive Director*

Hong Kong, 17 June 2020

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

*Executive Directors:*

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

Mr. Wong Ka Bo, Jimmy

*Non-executive Director:*

Ms. Li Shuang

*Independent Non-executive Directors:*

Mr. Bu Fancheng

Mr. Wang Chengqing

Ms. Zhou Zhan

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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](http://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](http://www.csfgroup.com)).*

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