CHONG SING
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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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This announcement, for which the directors (the "Directors") of Chong Sing Holdings FinTech Group Limited (the "Company") 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 (the "GEM Listing Rules") for the purposes of giving information with regard to the Company and its subsidiaries. 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.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	**Changes**
	RMB'000	*RMB'000*	
OPERATING RESULTS			
Turnover	**4,805,010**	1,075,677	346.7%
Profit for the year	**1,098,448**	342,247	221.0%
Profit attributable to owners of the Company	**803,013**	301,122	166.7%
Non-GAAP profit attributable to owners of the Company	**619,276**	414,105	49.5%
Basic earnings per share	**RMB3.65 cents**	RMB1.48 cents	146.6%
Non-GAAP basic earnings per share	**RMB2.82 cents**	RMB2.04 cents	38.2%
FINANCIAL POSITION			
Total assets	**12,323,588**	8,862,513	39.1%
Bank balances and cash	**969,249**	1,233,391	-21.4%
Total liabilities	**6,757,172**	4,620,933	46.2%
Net assets	**5,566,416**	4,241,580	31.2%

BUSINESS REVIEW

Industry Trends

The FinTech market in Asia experienced rapid growth in 2017.

The FinTech industry in China is in an important stage of development where payment, consumer finance, online investment and other segments have obtained a broad customer base domestically. With various regulatory policies being gradually implemented during the year ended 31 December 2017 (the "Year"), industry development will get into a healthier and more orderly phase. According to the projection of Goldman Sachs, the transaction volume of consumer-related third party payment in China will grow to US$4.6 trillion in 2020 from US$1.9 trillion in 2016 while the loan balance of online lending and consumer finance will grow to US$764 billion in 2020 from US$156 billion in 2016, presenting promising prospects in the market.

In 2017, as leading enterprises from the FinTech industry in China accelerated their overseas business expansion, the Southeast Asia region became a premier goal under the "Go Global" strategy. According to the statistics of CB Insights, the amount of financing through venture capital by FinTech companies in Southeast Asia increased 151% year-on-year in 2017. In the meantime, the rapid development of internet economy in Southeast Asia fostered a sound environment for the launch of FinTech service. According to Google, Southeast Asia currently has 260 million internet users, making it the fourth largest internet market in the world, of which young users aged below 40 accounted for 70%, and the number of its internet users is expected to grow at a compound annual rate of 14% in the next three years.

By leveraging on its comprehensive business qualifications and risk management capabilities, the Group's various FinTech platforms received affirmation and recognition from regulatory authorities (such as the People's Bank of China) and industry associations (such as the National Internet Finance Association of China). In 2017, we further expanded and diversified our FinTech ecosystem, established our "Strategy 3.0" for the new phase of development with focus on four core business segments, namely payment, technology-enabled lending, blockchain and other wealth management, and succeeded to expand our business to Vietnam, Singapore and Indonesia in the Southeast Asia region. As at the end of 2017, total registered users of the Group reached more than 73 million, representing a year-on-year growth of 125%. The Group recorded a total transaction volume of more than RMB2,700 billion in 2017, representing a year-on-year growth of 239%. By leveraging on our ever-growing FinTech service ecosystem, we believe that the Group will 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 forging a domestic leading service platform of internet financial transaction, providing customers with integrated solutions for online + offline payment featuring “secure, convenient, speedy” service. The total transaction volume in 2017 reached around RMB628.8 billion, representing a year-on-year growth of more than 220%. As of the end of December 2017, UCF Pay’s accumulated active users reached 4.6 million. Current business scope of UCF Pay covers basic payment service and featured industry solutions including bank custody for online lending, direct banking, industry chain finance, cloud platform and electronic wallet.

  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 RMB1,866.6 billion in 2017, representing a year-on-year growth of 195%. The accumulated registered users reached 15.9 million as of the end of December 2017, representing an increase of 8.41 million new registered users as compared to that at the end of 2016. Shanghai Jifu was focused on promoting DianPOS（點刷）/MPOS and Point POS（點POS）business in 2017 and received positive market feedback, resulting in a substantial growth in both its 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, recorded a total transaction volume of VND160 trillion in 2017, representing a growth of 30% year-on-year. In 2017, Amigo Technologies’ total number of transactions was 138.3 million, representing a growth of 51% as compared to 2016. Such strong growth is mainly driven by the COD (cash-on-delivery) services. In addition, collection services for public administrative agencies and tax departments has started to see a month-on-month increase in transaction volume.

- ***Online investment and technology-enabled lending***

  Shenzhen Yifang Yidai Information Technology Service Company Limited*（深圳壹房貸信息技術服務有限公司）(“First House Loan”) achieved a total transaction volume of RMB14.7 billion in 2017, which demonstrated steady development trend for the whole year due to stable progress of existing businesses and continuous growth in number of new customers. In terms of product development, First House Loan upgraded its existing personal credit products and launched new products of supply chain finance targeting financing demands of quality companies, creating growth opportunities of new businesses.

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

Weshare, our consumer finance platform, recorded a significant growth in 2017. As of the end of December 2017, Weshare had 24.6 million accumulated registered users, representing an increase of 15.5 million new registered users as compared to that at the end of 2016. The accumulated transaction volume reached RMB63.3 billion in 2017, which was 8.1 times of that in 2016. In 2017, Weshare developed its "Shandian Jiekuan（閃電借款）", a micro loans product, into a domestic leading FinTech platform with strong capabilities in technology, risk management and business operation, thereby consolidating its leading position in the industry. In addition, Weshare also provided users with one-stop service through diversified product layout. Meanwhile, the preliminary development of the financial cloud platform with big data-based risk management at its core also enabled Weshare to expand its footprints to Indonesia in an attempt to launch service in overseas market of Southeast Asia.

- ***Others***

  During the Year, the Group strengthened its business position in the blockchain sector by lauching blockchain transaction verification and hardware manufacturing business.

  After investing in BitFury Group Limited ("BitFury Group"), a leading full-service blockchain technology company, the Group further expanded its strategic partnership with BitFury Group by investing in BitFury Group's blockchain infrastructure facilities starting from the first half of 2017. In the second half of 2017, the Group acquired BitFury Group's industrial-level datacenter in Georgia, which leverages state-of-the-art immersion cooling technology as well as its latest generation chips to create ideal energy-saving systems for high performance computation. In addition, as of the end of December 2017, the Group had industrial-level datacenters in the United States and Canada.

  The Group also launched hardware manufacturing business in the fourth quarter of 2017. It has launched two industrial hardware products under the brand name of "Bitfily" with high performance and low power consumption.

OUTLOOK AND STRATEGIES FOR 2018

- **Third party payment**

  In 2018, UCF Pay will further optimise its financial industry solutions, including bank custody for online lending, direct banking, industry chain finance and cloud platform. UCF Pay will continue to explore new custody banks for its bank custody service and serve other commercial banks for its direct banking service. UCF Pay will also explore overseas market and expand international payment business with preliminary focus on regions with strong market demands and growth potential in Southeast Asia.

  Shanghai Jifu will focus on promoting smart POS, a product that is launched after two years of research and development. Smart POS integrates convenience services and integration payment as a whole. Shanghai Jifu will take it as its core business, capture its growth potential in payment market and explore customers' financial needs to offer comprehensive financial services for small and micro businesses, transitioning itself from the payment segment to the financial sector, thereby completing the transformation from payment to "payment+".

  Amigo Technologies targets to roll out payment services with at least two partner banks in 2018 after obtaining the third-party payment license from the State Bank of Vietnam. It also starts to prepare for mobile wallet and mobile POS solutions to support the booming e-commerce sector in Vietnam. At the same time, Amigo Technologies will try to gain user awareness and boost transaction volume from current services in cooperation with Vietnam Post by launching staff training programs in more than 10,000 Vietnam Post offices across Vietnam.

- **Online investment and technology-enabled lending**

  In 2018, First House Loan will uphold its business philosophy of providing customer-oriented and professional services. First House Loan will continue to focus on corporate demands of key customer groups to offer them diversified financial services through various product supply, and further strengthen its core capabilities in risk management. In terms of business development, First House Loan will continue to expand into more innovative real estate financial business such as new house market, leasehold market and real estate asset management in order to meet more diversified financing needs of corporate and individual customers.

Weshare will continue to foster vertical development in the FinTech industry and seize greater market opportunities with its triune product business system focusing on "micro loans + large amount installment + data distribution platform". During the times of rapid growth of its existing platform, Weshare will continue to deliver its technology capabilities in financial cloud platform and cooperate with excellent partners to co-create consumer financial products, enabling it to provide corporate customers with multiple core value services covering data, technology, risk control and asset management. Furthermore, learning from successful experience, Weshare will strive to expand its global presence into Southeast Asian market as well as other countries and regions beyond these borders. Moreover, Weshare will continue to facilitate the widespread use of artificial intelligence in the credit market.

Weshare will closely monitor the development and issuance of requirements and regulations applicable to online investment and technology – enabled lending platforms in the PRC, and ensure regulatory compliance and rectification measures will be taken.

- **Strategy 3.0**

2018 will be the first full year for the Group's new development phase. Focusing on the four core business segments, namely payment, technology-enabled lending, blockchain and other wealth management, the Group will deepen the implementation of its "Strategy 3.0". Also, the Group will continue its internationalisation business development to export experience and technology capabilities to the overseas market. In order to support "Strategy 3.0" and drive growth in international businesses, the Group will develop its matrix management structure, aiming at more effective work delivery and more flexible cooperation across the four core businesses and different geographical areas.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

For the year ended 31 December 2017, the Group reported revenues of approximately RMB4,805.0 million, an increase of 347% year-on-year. The increase was primarily attributable to growth in revenues from online investment and technology-enabled lending services, driven by strong growth in transaction volumes on our key platforms Weshare which was acquired in November 2016, and a significant growth in payment transaction volume on our core third party payment platform UCF Pay, as well as healthy growth in interest and financial consultancy service income driven by an increase in the average size of our loan portfolio during the year ended 31 December 2017. The following table sets forth the Group's revenues by segment of business for the years ended 31 December 2016 and 2017.

	For the year ended 31 December			
	2017		2016	
	RMB'000	***% of total revenues***	*RMB'000*	*% of total revenues*
Traditional loans and financing	**557,093**	**11.6**	429,988	40.0
Third party payment service	**338,950**	**7.0**	189,983	17.6
Online investment and technology-enabled lending service	**3,334,003**	**69.4**	366,517	34.1
Others	**574,964**	**12.0**	89,189	8.3
Total	**4,805,010**	**100.0**	1,075,677	100.0

Traditional loans and financing income

Traditional loans and financing income mainly includes interest income, financial consultancy service income and gain on transfer of right on interest on loan receivable, 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 11.6% of the Group's total revenues and recorded an increase of approximately 29.6% to approximately RMB557.1 million for the year ended 31 December 2017. The increase in traditional loans and financing income was primarily due to the increase in the average size of our loan portfolio during the year ended 31 December 2017 as we had deployed our cash generated from operations during the year ended 31 December 2017 for short-term lending before investment opportunities were subsequently identified and financed.

Third party payment service income

The third party payment business, which included the provision of online payment transactions, payment system consultancy and related services of UCF Pay and payment transaction service of Amigo Technologies, generated revenues of approximately RMB338.9 million for the year ended 31 December 2017, an increase of approximately 78.4% year-on-year. It represented approximately 7% of the Group's total revenues, of which UCF Pay reported revenue of approximately 327.6 million and Amigo Technologies reported revenue of approximately 11.3 million. The increase reflected a significant growth in total transaction volume on our core third party payment platform UCF Pay to RMB628.8 billion for the year ended 31 December 2017, an increase of 220% year-on-year.

Online investment and technology-enabled lending service income

Our online investment and technology-enabled lending service income mainly includes income generated by our online property loan platform First House Loan, online lending platform Financial Workshop as well as our 48%-owned online consumer lending platform Weshare. For the year ended 31 December 2017, the Group's online investment and technology-enabled lending business recorded revenues of approximately RMB3,334.0 million, representing approximately a 8.1-fold increase year-on-year. It represented approximately 69.4% of the Group's total revenues, of which Financial Workshop, First House Loan and Weshare reported revenues of approximately RMB19.8 million, RMB79.4 million and RMB3,208.1 million, respectively. The increase in the business segment's revenues is driven by continued strong growth in transaction volumes across the online consumer lending platform Weshare.

Others

Others mainly included social gaming service income and IT solution income generated by our 51%-owned subsidiary, Shenzhen Qiyuan Tianxia Technology Company Limited* (深圳起源天下科技有限公司) ("Qiyuan"), and 51%-owned subsidiary, Amigo Technologies, respectively. The social gaming business contributed approximately RMB121.4 million of revenues to the Group while IT solution business contributed approximately RMB164.4 million of revenues to the Group for the year ended 31 December 2017.

In addition, blockchain segment contributed approximately RMB289.1 million of revenues to the Group for the year ended 31 December 2017. It was primarily due to the blockchain transaction verification from the Group's industrial-level datacenter.

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Interest expenses

Interest expenses mainly comprised interest due on bank and other loans, Hong Kong dollar-denominated convertible bonds, US$-denominated convertible bonds, RMB-denominated corporate bonds and HK$-denominated corporate bonds. The Group's interest expenses increased by approximately 61% year-on-year to approximately RMB383.4 million for the year ended 31 December 2017. The increase in interest expense mainly due to the fact that average external funding was significantly increased in 2017 when compared with 2016. As at 31 December 2017, the Group's balances for external funding was RMB3,127 million, of which bank and other borrowings amounted to approximately RMB1,760.1 million (31 December 2016: approximately RMB1,820.2 million); and corporate bonds and convertible bonds amounted to approximately RMB1,366.9 million (31 December 2016: approximately RMB1,547.6 million).

Other income and gain or loss

Other income and gain or loss mainly comprised bank interest income, other interest income and government grants.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, intermediary handling charges for third party payment services, bank and financing charges, sales and marketing related expenses, provision for financial guarantee and rental expenses. Due to the significant increase in the scale and staff headcount of our online investment and technology-enabled lending and third party payment businesses and provision for financial guarantee amounted to approximately RMB1,283.4 million, the Group's administrative and other operating expenses increased by approximately 768.0% to RMB3,250.3 million for the year ended 31 December 2017 year-on-year.

Provision for financial guarantee represented provision made for loan amount lending out through the loan facilitation platform, namely Weshare. The amount of provision was computed based on historical pattern of loan delinquencies.

Share-based payment expenses

Share-based payment expenses of the Group for the year ended 31 December 2017 increased by approximately 46.1% to approximately RMB160.7 million. The increase in such expenses represented the fair value of all share options granted in July 2016, November 2016, December 2016 and March 2017 respectively over the vesting periods.

Share of results of associates

Share of results of associates for the year ended 31 December 2017 increased to approximately RMB64.3 million. The year-on-year increase was mainly attributable to the contribution from our 35% interest in Shanghai Jifu.

Profit for the year ended 31 December 2017

The profit for the year ended 31 December 2017 was approximately RMB1,098.4 million, representing an increase of approximately 221.0% year-on-year as compared to approximately RMB342.2 million for the year ended 31 December 2016. The increase was mainly due to a gain on disposal of subsidiaries of approximately RMB408.1 million and a significant increase in turnover of approximately RMB3,729.3 million despite an increase in interest expenses of approximately RMB145.2 million, administrative and other operating expenses of approximately RMB2,875.8 million, share-based payment expenses of approximately RMB50.7 million, change in fair value of preference shares of a subsidiary of approximately RMB47 million and income tax of approximately RMB365.3 million.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB803.0 million, an increase of approximately 166.7% as compared to approximately RMB301.1 million for the year ended 31 December 2016. Excluding the non-recurring gain on disposal of subsidiaries, gain on deemed disposal of subsidiaries, loss on deemed disposal of an associate, loss on disposal of an associate, share-based payment expenses and certain other non-cash items, profit attributable to owners of the Company under non-generally accepted accounting principles ("GAAP") for the year ended 31 December 2017 was approximately RMB619.3 million, an increase of approximately 49.5% as compared to approximately RMB414.1 million for the year ended 31 December 2016.

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

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**803,013**	301,122
Adjustments for:		
Share-based payment expenses	**160,684**	109,986
Change in fair value of embedded derivative components of convertible bond	**–**	208
Gain on disposal of subsidiaries	**(408,098)**	(37)
Income tax arising from gain on disposal of subsidiaries	**46,417**	–
Gain on deemed disposal of subsidiaries	**(3,303)**	–
Change in fair value of investment property	**(2,000)**	–
Loss on deemed disposal of an associate	**–**	2,029
Loss on disposal of an associate	**–**	797
Change in fair value of preference share of a 48%-owned subsidiary	**22,563**	–
Non-GAAP profit attributable to owners of the Company	**619,276**	414,105

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2017, the Group's source of funds was mainly from cash generated from operations and new borrowings. As at 31 December 2017, the Group had bank balances and cash of approximately RMB969.2 million (31 December 2016: approximately RMB1,233.4 million), of which 89.1%, 3.3%, 0.1%, 2.6% and 4.9% were denominated in RMB, US$, SGD, VND and HK$ respectively.

As at 31 December 2017, the Group had interest-bearing borrowings, which mainly comprised corporate bonds, convertible bonds, bank and other borrowings, amounted to approximately RMB3,127 million (31 December 2016: approximately RMB3,367.8 million). The gearing ratio, representing the ratio of total borrowings to total assets of the Group, was 0.25 as at 31 December 2017 (31 December 2016: 0.38). Hence, the Group has sufficient financial ability to meet its redemption obligations under the convertible bonds.

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

BORROWINGS AND BANK OVERDRAFTS

The Group had approximately RMB1,760.1 million in borrowings or bank overdrafts as at 31 December 2017 (31 December 2016: approximately RMB1,820.2 million).

INDEBTEDNESS AND CHARGE ON ASSETS

As at 31 December 2017, the Group had long term borrowings amounting to approximately RMB115.2 million (31 December 2016: approximately RMB804.9 million) and short term borrowings amounting to RMB1,644.9 million (31 December 2016: RMB1,015.3 million), of which RMB112.3 million was interest-bearing at floating rates, and secured by the investment property of the Group with a carrying amount of RMB576 million; RMB508.6 million was interest-bearing at fixed rate, and secured by share charges on certain wholly-owned subsidiaries; RMB270.9 million was interest-bearing at floating rate, and secured by bank deposits of RMB278.5 million. The remaining borrowings amounting to RMB868.3 million were unsecured and interest-bearing at fixed rates.

As at 31 December 2017, the Group had long term unsecured corporate bonds in an aggregate principal amount of RMB61.7 million (31 December 2016: RMB154.4 million).

As at 31 December 2017, the Group had long term unsecured liability component of convertible bonds amounting to RMB1,035.3 million (31 December 2016: RMB1,393.2 million) and short-term unsecured liability component of convertible bonds amounting to RMB269.8 million (31 December 2016: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, the Group has completed the following significant transactions:

– On 25 January 2017, the Group acquired a 51% equity interest in Amigo Technologies at a consideration of VND286,588,125,000 (equivalent to approximately RMB87,457,000) satisfied by cash. Amigo Technologies is principally engaged in the provision of third party payment services and IT solution services in Vietnam.

– On 26 January 2017, the Group subscribed for an aggregate number of 68,639 Series A Preferred Shares in BitFury Group ("Series A Preferred Shares") at a consideration of US$10,000,015.91 (equivalent to approximately RMB115,714,000) satisfied by issuing a total of 124,397,247 shares of the Company.

– On 30 March 2017, the Group entered into a sales agreement to dispose of its 100% equity interest in 9888.CN Limited and its subsidiaries, to an independent third party for a total cash consideration of HK$580,000,000 (equivalent to approximately RMB514,170,000).

– On 26 April 2017, the Group entered into a subscription and shareholders' agreement with Singapore Life Pte. Ltd. ("Singapore Life") and other shareholders or potential shareholders of Singapore Life, pursuant to which, among other matters, the Group has conditionally agreed to subscribe for new shares of Singapore Life at an aggregate subscription price of US$21,300,000 (equivalent to approximately RMB145,069,000) (the "Investment"). Upon completion of the Investment and the subscription of new shares by the other co-investors, the Group will be holding approximately 33.8% of the issued shares of Singapore Life and the Company will account Singapore Life as an associate.

– On 22 May 2017, the Company, two independent individuals (the "Sellers") and Havenport entered into a sale and purchase agreement in relation to the investment, comprising the acquisition of shares in Havenport Asset Management Pte. Ltd. ("Havenport") from the Sellers and subscription of new shares in Havenport, for an aggregate consideration of approximately SGD6,519,000 (equivalent to approximately RMB32,094,000), representing approximately 19.90% of the enlarged share capital of Havenport following the subscription.

– On 29 September 2017, Well Up (Hong Kong) Limited, 37%-owned associate of the Company, completed the acquisition of total 63.43% of the issued share capital of Ping An Securities Group (Holdings) Limited ("Ping An Securities") with cash consideration of approximately RMB1 billion. As a result, the Group owned indirectly 23.47% effective equity interest in Ping An Securities.

ANNUAL RESULTS

The board of Directors (the "Board") is pleased to announce the annual consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Turnover	*4*	**4,805,010**	1,075,677
Interest income	*4*	**455,276**	376,935
Interest expenses	*7*	**(383,354)**	(238,184)
Net interest income		**71,922**	138,751
Financial consultancy service income	*4*	**70,685**	53,053
Third party payment service income	*4*	**338,950**	189,983
Online investment and technology-enabled lending service income	*4*	**3,334,003**	366,517
Transaction verification service income	*4*	**289,063**	–
Gain on transfer of rights on interests on loan receivables	*4*	**31,132**	–
Others	*4*	**285,901**	89,189
		4,421,656	837,493
Other income	*6*	**32,829**	26,949
Other gains and losses		**20,625**	4,414
Administrative and other operating expenses		**(3,250,302)**	(374,474)
Gain on disposal of subsidiaries		**408,098**	37
Gain on deemed disposal of subsidiaries		**3,303**	–
Loss on deemed disposal of an associate		**–**	(2,029)
Loss on disposal of an associate		**–**	(797)
Change in fair value of investment property		**2,000**	–
Change in fair value of crypto currencies		**53,346**	–
Change in fair value of derivative and embedded derivative components of convertible bond		**–**	(208)
Change in fair value of preference share of a subsidiary		**(47,007)**	(461)
Share-based payment expenses		**(160,684)**	(109,986)
Share of results of associates		**64,283**	45,747
Profit before tax	*8*	**1,548,147**	426,685
Income tax	*9*	**(449,699)**	(84,438)
Profit for the year		**1,098,448**	342,247

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(82,160)**	61,146
Share of other comprehensive income of associates		**(3,490)**	–
Change in fair value of available-for-sale investments		**–**	(2,892)
Other comprehensive (expense) income for the year		**(85,650)**	58,254
Total comprehensive income for the year		**1,012,798**	400,501
Profit for the year attributable to:			
Owners of the Company		**803,013**	301,122
Non-controlling interests		**295,435**	41,125
		1,098,448	342,247
Total comprehensive income for the year attributable to:			
Owners of the Company		**723,254**	359,322
Non-controlling interests		**289,544**	41,179
		1,012,798	400,501
		RMB	*RMB*
Earnings per share	*11*		
Basic		**3.65 cents**	1.48 cents
Diluted		**3.49 cents**	1.43 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Plant and equipment		**332,009**	45,076
Investment property		**576,000**	574,000
Intangible assets		**178,831**	246,652
Deposit paid for acquisition of intangible assets		**–**	12,866
Pledged bank deposits		**278,468**	252,805
Goodwill		**976,382**	932,711
Available-for-sale investments		**429,511**	273,455
Interests in associates		**1,457,723**	955,431
Interests in joint ventures		**–**	–
Loan receivables	*13*	**–**	150,000
		4,228,924	3,442,996
Current assets			
Inventories		**10,465**	–
Available-for-sale investments		**–**	24,588
Trade receivables	*12*	**417,369**	160,147
Loan receivables	*13*	**3,453,454**	3,319,688
Prepayments and other receivables		**1,256,108**	212,038
Amounts due from joint ventures		**4,666**	14,483
Amounts due from associates		**9,004**	1,131
Amounts due from related companies		**190,724**	189,542
Held for trading investments		**332,082**	23,502
Income tax recoverable		**–**	1,016
Crypto currencies		**224,921**	–
Bank balance – trust account		**1,226,622**	239,991
Bank balances and cash		**969,249**	1,233,391
		8,094,664	5,419,517
Current liabilities			
Accruals and other payables	*14*	**858,274**	265,931
Funds payables and amounts due to customers		**1,226,622**	239,991
Amounts due to non-controlling shareholders		**1,541**	1,597
Amounts due to related companies		**187,813**	189,983
Borrowings		**1,644,958**	1,015,297
Convertible bonds		**269,840**	–
Preference share of a subsidiary		**118,997**	71,990
Provision for financial guarantee		**225,553**	42,837
Other financial liabilities		**536,000**	–
Income tax payables		**385,832**	73,650
		5,455,430	1,901,276

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
Net current assets		**2,639,234**	3,518,241
Total assets less current liabilities		**6,868,158**	6,961,237
Non-current liabilities			
Corporate bonds		**61,732**	154,450
Convertible bonds		**1,035,305**	1,393,172
Borrowings		**115,200**	804,909
Other financial liabilities		**–**	276,075
Deferred tax liabilities		**89,505**	91,051
		1,301,742	2,719,657
Net assets		**5,566,416**	4,241,580
Capital and reserves			
Share capital		**373,512**	358,259
Reserves		**4,831,636**	3,837,584
Equity attributable to owners of the Company		**5,205,148**	4,195,843
Non-controlling interests		**361,268**	45,737
Total equity		**5,566,416**	4,241,580

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Mr. Zhang Zhenxin is the substantial shareholder of the Company.

The financial statements are presented in Renminbi ("RMB"). Other than those subsidiaries established in the People's Republic of China (the "PRC") and certain subsidiaries of which primary sources of revenues are dividends which are derived from the operation of its major subsidiary operating in Mainland China, whose functional currency is RMB, the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The functional currency of the Company is HK$, which is different from the presentation currency, RMB. As the Company and its subsidiaries (hereinafter collectively referred to as the Group") mainly operate in the PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

The Company's principal activities during the year are provision of consultancy service and investment holding.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs and amendments to HKAS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. The directors of the Company considered that these amendments have no material impact on the Group's consolidated financial statements.

3. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sale related taxes.

Financial consultancy service income is recognised when the services are provided (for example, financial advisory and service fees for non-online loan financing transactions).

Online investment and technology-enabled lending service income is recognised when the services are provided (for example, financial advisory and service fees for online loan financing transactions).

Third party payment service income is recognised when the services are provided (for example, online loan provision services to borrowers on behalf of funds providers).

Gain on transfer of rights on interests on loan receivables is recognised when the rights and titles have been contractually and legally passed, at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the rights.

For the licensing revenue, the Group receives royalty income from third-party licencees in exchange for the exclusive operation of the Group's leased games in certain regions and providing related technical support. The royalty fees include an upfront fee and, in certain cases, an additional fee during the contracted license period, which is determined based on an agreed amount when accumulated virtual currency purchased by the players with accounts registered with the third parties exceeds certain amounts. The upfront fee is recognised rateably over the contracted license period. The additional royalty fee is recognised upon the actual purchase by the players exceeds the agreed amount in contract.

For the online game operation, the Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items, such as virtual products or tools via mobile game portals. The revenue is recognised when the services are provided. Sales of goods was recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income, including administrative fee income, from financing service and a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from financing service and a financial asset (including the interest-bearing convertible bond designated as an available-for-sale investment) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

For the transaction verification services, the Group provided computer processing activities within crypto currency networks, commonly termed "crypto currency mining". The Company receives crypto currency as consideration for these services. Revenue is measured based on the fair value of the crypto currency received. The fair value is determined using the spot price of the crypto currency on the date of receipt.

4. TURNOVER

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

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income		
Entrusted loan service income	**89,126**	116,264
Other loan service and real estate-backed loan service income	**366,150**	260,515
Microfinance service income	**–**	156
	455,276	376,935
Financial consultancy service income	**70,685**	53,053
Third party payment service income	**338,950**	189,983
Online investment and technology-enabled lending service income	**3,334,003**	366,517
Transaction verification service income	**289,063**	–
Gain on transfer of rights on interests on loan receivables	**31,132**	–
Others	**285,901**	89,189
Turnover	**4,805,010**	1,075,677

5. SEGMENT INFORMATION

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

The directors of the Company have organised the Group into different segments by types of services provided, of which the "Blockchain service" was new segment identified for the year ended 31 December 2017.

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

1. Traditional loans and financing – provision of financing services in the PRC and Hong Kong;
2. Third party payment service – provision of online third party payment services and prepaid card issuance business;
3. Online investment and technology-enabled lending service – provision of internet loan financing services in the PRC;
4. Blockchain service – provision of transaction verification services in Hong Kong, Canada and Georgia; and
5. Others – provision of social gaming service in the PRC, provision of IT solution services in Vietnam and property investment.

Segment revenue and results

For the year ended 31 December 2017

	Traditional loans and financing *RMB'000*	Third party payment service *RMB'000*	Online investment and technology-enabled lending service *RMB'000*	Blockchain service *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE						
External income and gain	**557,093**	**338,950**	**3,334,003**	**289,063**	**285,901**	**4,805,010**
Segment results	**104,005**	**186,175**	**851,135**	**216,828**	**45,019**	**1,403,162**
Share of results of associates						**64,283**
Unallocated other income						**22,537**
Other gains and losses						**20,625**
Change in fair value of preference share of a subsidiary						**(47,007)**
Gain on deemed disposal of subsidiaries						**3,303**
Gain on disposal of subsidiaries						**408,098**
Share-based payment expenses						**(160,684)**
Interest expenses						**(73,735)**
Unallocated expenses						**(92,435)**
Profit before tax						**1,548,147**

For the year ended 31 December 2016

	Traditional loans and financing *RMB'000*	Third party payment service *RMB'000*	Online investment and technology-enabled lending service *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External income and gain	429,988	189,983	366,517	89,189	1,075,677
Segment results	74,455	133,934	202,194	73,619	484,202
Share of results of associates					45,747
Unallocated other income					14,448
Other gains and losses					4,414
Change in fair value of derivative and embedded derivative components of convertible bond					(208)
Loss on disposal of an associate					(797)
Loss on deemed disposal of an associate					(2,029)
Gain on disposal of subsidiaries					37
Share-based payment expenses					(109,986)
Interest expenses					(2,242)
Unallocated expenses					(6,901)
Profit before tax					426,685

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates, unallocated other income, other gains and losses, gain on disposal of subsidiaries, gain on deemed disposal of subsidiaries, change in fair value of preference share of a subsidiary, loss on disposal of an associate, loss on deemed disposal of an associate, change in fair value of derivative and embedded derivative components of convertible bond, central administration costs, share-based payment expenses and certain interest expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

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

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**4,005,233**	809,344	**2,830,733**	1,529,431
Hong Kong	**334,827**	266,333	**255,461**	1,224,439
Others	**464,950**	–	**434,751**	–
	4,805,010	1,075,677	**3,520,945**	2,753,870

Information about major customers

None of the customers accounting for 10% or more of aggregate revenue of the Group during the years ended 31 December 2017 and 2016.

6. OTHER INCOME

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Government grants *(Note)*	**2,747**	2,581
Bank interest income	**8,573**	9,769
Interest income on convertible bond	**–**	733
Dividend income from held for trading investments	**6,834**	–
Other interest income	**11,217**	755
Net gain on disposal of intangible assets	**–**	5,216
Net exchange difference	**–**	1,366
Interest income from available-for-sales investments	**–**	4,680
Reversal of impairment loss recognised on loan receivables	**–**	641
Others	**3,458**	1,208
	32,829	26,949

Note:

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

7. INTEREST EXPENSES

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**172,181**	100,198
Interest on corporate bonds	**8,431**	21,478
Interest on convertible bonds	**202,742**	116,508
	383,354	238,184

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
(a) Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**282,874**	95,937
Contribution to defined contribution retirement benefits scheme	**27,699**	14,866
Share-based payment expenses	**160,684**	109,986
	471,257	220,789
(b) Other items		
Auditors' remuneration	**2,557**	1,900
Depreciation	**83,502**	8,693
Amortisation (included in administrative and other operating expenses)	**60,707**	9,982
Net exchange difference	**5,562**	–
Operating lease charges in respect of properties	**46,511**	19,715
Fair value change of preference share of a subsidiary	**47,007**	461
Fair value change of provision for financial guarantee (included in administrative and other operating expenses)	**1,283,428**	10,893
Impairment loss recognised on loan receivables	**49,929**	–
Impairment loss recognised on other receivables	**24,414**	4,744
Impairment loss recognised on amounts due from joint ventures	**4,074**	–
Impairment loss recognised on intangible assets	**23,223**	999
Net loss on disposal of plant and equipment (included in administrative and other operating expenses)	**1,854**	4

9. INCOME TAX

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Provision for Hong Kong Profits Tax	**10,687**	6,272
Provision for PRC Enterprise income tax (the "EIT")	**434,117**	74,626
Provision of Vietnam Income Tax	**3,276**	–
Under-provision in prior years	**–**	1,698
	448,080	82,596
Deferred tax	**1,619**	1,842
	449,699	84,438

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

(ii) The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the years ended 31 December 2017 and 2016.

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

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

During the years ended 31 December 2017 and 2016, 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.

During the year ended 31 December 2017, PRC EIT of approximately RMB46,417,000 is arising from the gain on disposal of subsidiaries.

10. DIVIDENDS

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Nil (2016: Nil)	**–**	–

Final dividend for 2017 and 2016

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

11. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**803,013**	301,122

	As at 31 December	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**21,997,539,947**	20,314,053,065
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**940,625,091**	530,783,801
Contingent Share consideration for acquisition of Qiyuan	**95,955,037**	178,188,705
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**23,034,120,075**	21,023,025,571

For the years ended 31 December 2017 and 2016, 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 December 2017, the number of new shares of the Company which may be issued due to the convertible bond are 2,397,730,117 shares.

12. TRADE RECEIVABLES

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date for financial consultancy service income, online investment and technology-enabled lending service income, social gaming service income and IT solution service income, and date of providing services for interest income and third party payment service income, which approximates the respective revenue recognition dates, at the end of each reporting period and as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
0 – 90 days	**357,762**	141,873
91 – 180 days	**8,134**	14
181 – 365 days	**40,028**	14,277
Over 1 year	**11,445**	3,983
	417,369	160,147

13. LOAN RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loan receivables		
Secured loans		
Real estate-backed loans to customers	**299,322**	390,142
Entrusted loans to customers	**35,608**	451,216
Other loans to customers	**718,409**	644,984
	1,053,339	1,486,342
Unsecured loans		
Entrusted loans to customers	**822,200**	633,083
Other loans to customers	**1,627,616**	1,351,490
Micro loans to customers	**17,077**	17,597
	2,466,893	2,002,170
Sub-total	**3,520,232**	3,488,512
Less: Allowance for loan receivables	**(66,778)**	(18,824)
	3,453,454	3,469,688
Less: non-current portion	**–**	(150,000)
Current portion	**3,453,454**	3,319,688

(a) Ageing analysis

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**569,086**	819,516
91 to 180 days	**233,050**	381,280
181 to 365 days	**1,031,406**	1,159,828
Over 365 days	**1,619,912**	1,109,064
	3,453,454	3,469,688

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

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

(b) Loan receivables that are not impaired

The ageing of loan receivables which were past due but not impaired is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Not yet past due		
Current	**3,251,991**	2,506,755
Past due but not impaired		
Within 90 days	**–**	297,437
91 to 180 days	**–**	85,072
181 to 365 days	**149,203**	195,755
Over 365 days	**52,260**	384,669
	201,463	962,933
	3,453,454	3,469,688

14. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other payables and accrued expenses	**834,386**	219,536
Consideration payable for acquisition of remaining interests in a subsidiary	**4,545**	4,545
	838,931	224,081
Financing service income receipts in advance *(note)*	**19,343**	41,850
	858,274	265,931

Note:

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

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled for Tuesday, 8 May 2018 (the "2018 AGM"). For determining the entitlement of the shareholders of the Company to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of the shares of the Company will be effected. In order to qualify for attending and voting at the 2018 AGM, unregistered holders of the shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2016: Nil), and intends to reinvest our profits in accelerating our growth momentum, with the aim of further reinforcing our leading position in the FinTech industry and ultimately building long term shareholder value.

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

Save as disclosed under "Management Discussion and Analysis" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had the following capital commitments:

	2017 ***RMB'000***	2016 *RMB'000*
Capital expenditure contracted but not provided for in respect of:		
Acquisition of plant and equipment	**12,242**	9,242

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 1,454 staff and 15 contractors (2016: 837 staff and 15 contractors). Total staff costs (including Directors' emoluments) were approximately RMB471.3 million and total share options benefit to contractors were RMB82.6 million for the Year (2016: RMB220.8 million and RMB48.6 million, respectively). Remuneration is determined by reference to the market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme, social insurance together with housing provident funds, Central provident fund scheme and an mandatory social security for its employees in Hong Kong, the PRC, Singapore and Vietnam, respectively.

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

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG 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 Year, except for the following:

Following the resignation of Mr. Wang Wei as an independent non-executive Director ("INED") on 1 April 2017, the Company did not have sufficient INEDs representing at least one-third of the Board under Rule 5.05A of the GEM Listing Rules. In compliance with Rule 5.06 of the GEM Listing Rules, the Company appointed Dr. Wang Songqi as an INED on 27 June 2017 and has fulfilled the aforesaid requirements of Rule 5.05A of the GEM Listing Rules.

Upon the appointment of Mr. Yang Jianhui as an executive Director on 8 November 2017, the Company did not have sufficient INEDs representing at least one-third of the Board under Rule 5.05A of the GEM Listing Rules. After the resignation of Mr. Wong Sai Hung as a non-executive Director ("NED") on 5 February 2018, the Company has fulfilled the aforesaid requirements of Rule 5.05A of the GEM Listing Rules.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, certain NEDs were unable to attend the annual general meeting of the Company held on 9 May 2017 (the "2017 AGM") and an INED and certain NEDs were unable to attend the extraordinary general meeting of the Company held on 27 July 2017. To mitigate the above, future general meetings would be scheduled earlier to avoid timetable clashes.

Code provision E.1.2 of the CG Code requires the Chairman to attend the annual general meetings. Due to other business commitments which must be attended by Mr. Li Mingshan, he was not able to attend the 2017 AGM. Mr. Phang Yew Kiat, the Vice-Chairman and the Chief Executive Officer, acted as the chairman thereof to ensure an effective communication with the shareholders of the Company. Mr. Li Mingshan had a follow-up with Mr. Phang Yew Kiat in respect of the opinions expressed or concerns raised, if any, by the shareholders at the 2017 AGM. To mitigate the above, the 2018 AGM has been scheduled earlier to avoid the timetable clashes.

REQUIRED STANDARD OF DEALINGS

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

No incident of non-compliance of the Required Standard of Dealings and the Own Code by the Directors, senior management and relevant employees was noted by the Company.

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

ISSUE OF EQUITY SECURITIES

On 26 January 2017, the Group subscribed for an aggregate number of 68,639 Series A Preferred Shares in BitFury Group at a consideration of US$10,000,015.91 (equivalent to approximately RMB115,714,000) satisfied by issuing a total of 124,397,247 shares of the Company.

On 21 April 2016, the Group acquired a 51% equity interest in Qiyuan for a total consideration of RMB204.0 million, of which RMB85.0 million was satisfied in cash and the remaining RMB119.0 million was satisfied by the issuance of consideration shares of 255,753,200 shares by the Company on 15 May 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF FINANCIAL INFORMATION

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's independent auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by SHINEWING in this announcement.

By order of the Board
Chong Sing Holdings FinTech Group Limited
Li Mingshan
Chairman

Hong Kong, 21 March 2018

As at the date of this 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 Mingshan *(Chairman)*
Mr. Li Gang
Mr. Zhang Zhenxin
Ms. Zhou Youmeng

Independent Non-executive Directors:
Mr. Ge Ming
Dr. Ou Minggang
Dr. Wang Songqi
Dr. Yin Zhongli

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).