CHINA FIRST CAPITAL GROUP LIMITED
中國首控集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1269)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

RMB' million	**2020**	**2019**	**Decrease**
Revenue	**1,361.2**	1,436.0	(5.2%)
Loss for the year attributable to owners of the Company	**(373.7)**	(2,187.8)	(82.9%)
Basic loss per Share	**RMB(0.07)**	RMB(0.44)	(84.1%)

RMB' million	**As at 31 December 2020**	**As at 31 December 2019**	**Decrease**
Total assets	**4,455.2**	5,812.6	(23.4%)
Equity attributable to owners of the Company	**193.3**	662.7	(70.8%)
Net asset value per Share *(Note)*	**RMB0.04**	RMB0.13	(69.2%)

Note: Net asset value per Share is arrived at by dividing equity attributable to owners of the Company by the number of issued shares of the Company (the "**Share(s)**") at the end of the reporting period.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of China First Capital Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the consolidated results of the Group for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*3*	**1,361,213**	1,436,037
Cost of sales/services		**(1,045,367)**	(1,075,822)
Gross profit		**315,846**	360,215
Other income and expenses		**63,615**	99,412
Other losses, net	*4*	**(16,021)**	(1,047,086)
Expected credit losses, net of reversal		**(103,176)**	(196,937)
Impairment losses on goodwill, tangible and intangible assets		**(48,467)**	(271,395)
Impairment losses on interests in joint ventures		**(15,183)**	–
Selling and distribution expenses		**(63,055)**	(125,759)
Research and development ("**R&D**") expenditure		**(53,992)**	(51,327)
Administrative expenses		**(269,470)**	(343,317)
Operating losses		**(189,903)**	(1,576,194)
Finance costs		**(217,449)**	(285,991)
Share of results of associates		**(1,345)**	1,231
Share of results of joint ventures		**10,856**	(397,737)
Loss before income tax		**(397,841)**	(2,258,691)
Income tax (expense)/credit	*5*	**(4,387)**	1,491
Loss for the year		**(402,228)**	(2,257,200)

	NOTES	2020	2019
		RMB'000	*RMB'000*
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(99,754)**	69,528
Other comprehensive (loss)/income for the year, net of income tax		**(99,754)**	69,528
Total comprehensive loss for the year		**(501,982)**	(2,187,672)
Loss for the year attributable to:			
– Owners of the Company		**(373,724)**	(2,187,830)
– Non-controlling interests		**(28,504)**	(69,370)
		(402,228)	(2,257,200)
Loss per Share attributable to owners of the Company	*7*		
– Basic (RMB)		**(0.07)**	(0.44)
– Diluted (RMB)		**(0.07)**	(0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**938,054**	1,001,848
Right-of-use assets		**256,440**	300,322
Interests in associates		**5,601**	7,134
Interests in joint ventures		**237,906**	571,887
Intangible assets		**281,799**	341,359
Goodwill		**275,103**	323,571
Financial assets measured at fair value through profit or loss ("**FVTPL**")		**–**	90,046
Trade and other receivables	*8*	**27,255**	114,216
Loan receivables		**16,346**	–
Contingent consideration receivables		**7,759**	–
Amounts due from joint ventures		**–**	36,376
		2,046,263	2,786,759
Current assets			
Inventories		**93,399**	205,115
Amounts due from joint ventures		**203,728**	220,151
Amounts due from associates		**98,632**	–
Trade and other receivables	*8*	**886,693**	902,665
Loan and interest receivables		**57,224**	95,055
Financial assets measured at FVTPL		**692,345**	870,656
Security account balances		**18,608**	19,557
Restricted bank balances		**150,882**	481,029
Bank balances and cash		**207,451**	231,606
		2,408,962	3,025,834
Total assets		**4,455,225**	5,812,593
LIABILITIES			
Non-current liabilities			
Other payables	*9*	**137**	142
Borrowings – due after one year	*10*	**378,206**	572,960
Lease liabilities		**22,157**	22,419
Deferred income		**47,051**	53,290
Contract liabilities		**169,043**	164,858
Contingent consideration payables		**–**	61,647
Long term payables		**24,352**	31,728
Deferred tax liabilities		**88,853**	102,034
		729,799	1,009,078

	NOTES	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	9	**960,380**	1,430,475
Amount due to an associate		**6,631**	–
Amounts due to joint ventures		**1,903**	–
Borrowings – due within one year	10	**1,165,453**	1,236,845
Convertible bonds		**751,692**	721,925
Lease liabilities		**7,744**	13,686
Income tax payable		**93,002**	89,603
Deferred income		**7,594**	5,745
Contract liabilities		**179,652**	221,039
Provisions		**30,033**	24,149
		3,204,084	3,743,467
Total liabilities		**3,933,883**	4,752,545
Net current liabilities		**(795,122)**	(717,633)
Total assets less current liabilities		**1,251,141**	2,069,126
Net assets		**521,342**	1,060,048
OWNERS' EQUITY			
Share capital	11	**84,283**	84,283
Reserves		**109,014**	578,424
Equity attributable to:			
Owners of the Company		**193,297**	662,707
Non-controlling interests		**328,045**	397,341
Total equity		**521,342**	1,060,048

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 April 2011. The Shares has been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 23 November 2011. Up to the date of issuance of these consolidated financial statements, the Company does not have a controlling party.

Due to regulatory restrictions on foreign ownership in the schools in the People's Republic of China ("**China**" or the "**PRC**", for the purpose of this announcement, shall exclude the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), the Macau Special Administrative Region of the PRC and Taiwan), the Group conducts a material portion of the education operation business through Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司), Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) (collectively the "**School Sponsor**") and the schools# held by the School Sponsor (together with School Sponsor, collectively referred to as the "**Consolidated Affiliate Entities**") in the PRC. The subsidiaries of the Company, Fuzhou Quanyue Education Consulting Company Limited* (福州全悅教育諮詢有限公司) and Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) (collectively the "**WOFEs**"), have entered into contractual arrangements (the "**Contractual Arrangements**") with the School Sponsor and their equity holders, respectively, which enable the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by WOFEs;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC laws and regulations. WOFEs may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of WOFEs; and
- obtain pledge over the entire equity interest of the School Sponsor from their equity holders as collateral security for all of the School Sponsor and their respective subsidiaries obligations under the Contractual Arrangements.

The schools includes: Fuqing Xishan School* (福清西山學校) ("**Fuqing Xishan**"), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan School* (江西省西山學校) ("**Jiangxi Xishan**") and Xishan Education Group* (西山教育集團) (collectively referred to as"**Xishan Schools**"), and Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校) ("**Yinghua School**").

Pursuant to the Contractual Arrangement entered between the Group and the School Sponsor and their respective subsidiaries, the Contractual Arrangement effectively transfer the controls over economic benefits and pass the risks associated with the Consolidated Affiliated Entities to the Group. In substance, the Group has effectively acquired the equity interests in the Consolidated Affiliated Entities under the Contractual Arrangement. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements for the years ended 31 December 2020 and 2019.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost basis, except for certain financial instruments, which that are measured at fair value.

For the year ended 31 December 2020, the Group reported a loss attributable to the owners of the Company of approximately RMB374 million (2019: approximately RMB2,188 million). As at 31 December 2020, the Group had accumulated losses of approximately RMB4,013 million (31 December 2019: approximately RMB3,639 million) and the Group's current liabilities exceeded its current assets by approximately RMB795 million (31 December 2019: approximately RMB718 million). As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,295 million (31 December 2019: approximately RMB2,532 million), of which the total current borrowings and convertible bonds amounted to approximately RMB1,917 million (31 December 2019: approximately RMB1,959 million), while its bank balances and cash amounted to approximately RMB207 million (31 December 2019: approximately RMB232 million) only.

During the year ended 31 December 2020, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of Hong Kong in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million). As at 31 December 2020, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB752 million and were classified as current liabilities.

The Group is in active negotiation with the holder of the convertible bonds for renewal and extension of the convertible bonds and the Directors are confident that agreements will be reached in due course.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) the Group has been actively negotiating with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds;

(ii) the Group has been actively negotiating new sources of financing, such as banks borrowings, placement and etc.;

(iii) in light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact on the Group's operations from time to time to generate sufficient cash;

(iv) the Group has implemented measures to speed up the collection of outstanding debts;

(v) the Group has ongoing communication with its creditors and monitored closely any settlement requests of trade payables. In the opinion of the Directors, it is expected that the Group could further negotiate with its creditors and agree on the settlement agreements, where applicable; and

(vi) the Group will continue to take active measures to control administrative costs through various channels including human resources optimisation, management remuneration adjustments and containment of capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) successful negotiations with the holder of the convertible bonds for the renewal of or extension for repayments of outstanding convertible bonds, including those with overdue principals and interests;

(ii) to successfully obtain additional new sources of financing as and when needed;

(iii) to successfully manage the impact of COVID-19 outbreak on the Group's operations from time to time to generate sufficient cash;

(iv) to successfully collect certain debts of the Group in accordance with the repayment schedules agreed with relevant debtor(s); and

(v) successful agreement with creditors of the Group on extending settlement arrangements where applicable.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs and Hong Kong Accounting Standards ("**HKASs**") and new interpretation issued by the HKICPA for the first time in the current year:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

Notes:

1 Effective for annual periods beginning on or after 1 June 2020

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of these new standards and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

(a) Products and services within each operating segment

The segment information reported was determined by the types of products and services and the types of customers to which products are sold and services are provided, which is consistent with the internal information that are regularly reviewed by the executive Directors, who are the chief operating decision markers (the "**CODM**") of the Group, for the purposes of resource allocation and assessment of performance.

No operating segment has been aggregated to form the following reportable segments:

- Automotive parts business – manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers and the secondary market of the automobile industry.

- Education operation business – engage in the business of provision of schooling services, including kindergarten education, academic education and vocational education and business of provision of management and consultancy services to educational institutions.

- Financial services business – engage in the business of dealing in securities, underwriting and placing securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing, franchising and overseas education/migration financial services.

(b) Segment revenue and segment results

	Segment revenue		Segment results	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Automotive parts business	**942,907**	917,806	**132,109**	128,470
Education operation business	**387,385**	421,505	**154,895**	141,839
Financial services business	**30,921**	96,726	**28,842**	89,906
Total segment	**1,361,213**	1,436,037	**315,846**	360,215
Other income and expense			**63,615**	99,412
Other losses, net			**(16,021)**	(1,047,086)
Expected credit losses, net of reversal			**(103,176)**	(196,937)
Impairment losses on goodwill, tangible and intangible assets			**(48,467)**	(271,395)
Impairment losses on interests in joint ventures			**(15,183)**	–
Selling and distribution expenses			**(63,055)**	(125,759)
R&D expenditure			**(53,992)**	(51,327)
Administrative expenses			**(269,470)**	(343,317)
Operating losses			**(189,903)**	(1,576,194)
Finance costs			**(217,449)**	(285,991)
Share of results of associates			**(1,345)**	1,231
Share of results of joint ventures			**10,856**	(397,737)
Loss before income tax			**(397,841)**	(2,258,691)

Set out below is the reconciliation of the revenue from contracts with customers disclosed in the amounts with the segment information:

Segments	**For the year ended 31 December 2020** **Automotive parts business** ***RMB'000***	**Education operation business** ***RMB'000***	**Financial services business** ***RMB'000***	**Total** ***RMB'000***
Revenue from contracts with customers				
External customers	942,907	387,385	23,476	1,353,768
Inter-segment sales	–	–	77,021	77,021
Sub-total	**942,907**	**387,385**	**100,497**	**1,430,789**
Elimination	–	–	(77,021)	(77,021)
Revenue from contracts with customers	**942,907**	**387,385**	**23,476**	**1,353,768**
Interest income	–	–	7,445	7,445
Segment revenue	**942,907**	**387,385**	**30,921**	**1,361,213**

Segments	For the year ended 31 December 2019 Automotive parts business *RMB'000*	Education operation business *RMB'000*	Financial services business *RMB'000*	Total *RMB'000*
Revenue from contracts with customers				
External customers	917,806	421,505	62,928	1,402,239
Inter-segment sales	–	–	20,098	20,098
Sub-total	**917,806**	**421,505**	**83,026**	**1,422,337**
Elimination	–	–	(20,098)	(20,098)
Revenue from contracts with customers	**917,806**	**421,505**	**62,928**	**1,402,239**
Interest income	–	–	33,798	33,798
Segment revenue	**917,806**	**421,505**	**96,726**	**1,436,037**

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the gross profit of each operating segment, conforming to the same measurement reported to the CODM for the purposes of resources allocation and performance assessment.

Other than the segment revenue and segment results analysis presented above, information about assets and liabilities was not regularly provided to the CODM. Hence, no segment asset or segment liability information is presented.

(c) Geographical information

The Group principally operates in the PRC.

For the year ended 31 December 2020, approximately 96% (2019: approximately 95%) of the Group's revenue from external customers, based on the operation location of respective customers, is derived from the PRC.

As at 31 December 2020, approximately 99% (31 December 2019: approximately 97%) of the Group's property, plant and equipment and right-of-use assets are located in the PRC.

4. OTHER LOSSES, NET

	2020	2019
	RMB'000	*RMB'000*
Donation	**(1,032)**	(142)
Exchange gains/(losses), net	**155,980**	(54,860)
Reversal of provision on inventories, net	**–**	10,358
Dividend income from financial assets measured at FVTPL	**11,925**	39,756
Realised losses on disposal of financial assets measured at FVTPL	**(2,640)**	–
Gains on disposal of scrap	**3,406**	8,786
Gains on disposal of property, plant and equipment	**–**	4,336
Gain on disposal of Yunnan First Capital Education Management Company Limited* (雲南首控教育管理有限公司)	**–**	39,502
Loss on disposal of Zhejiang Xichuan Shock Absorber Company Limited* (浙江淅川減振器有限公司)	**–**	(3,455)
Loss on disposal of Stirling Coleman Capital Limited	**(30,090)**	–
Loss on acquisition of Wuxi Guolian First Capital Equity Investment Fund Centers (Limited Partnership)* (無錫國聯首控股權投資基金中心（有限合夥）)	**(3,325)**	–
Loss on acquisition of Wuxi First Capital Lianxin Investment Center (Limited Partnership)* (無錫首控聯信投資管理中心（有限合夥）)	**(903)**	–
Loss on de-registration of subsidiaries	**(104)**	–
Loss on waiving an other receivable	**–**	(34,120)
Fair value changes of financial assets measured at FVTPL	**(131,831)**	(976,796)
Fair value changes of contingent consideration payables	**(2,681)**	(98,188)
Fair value changes of embedded derivative components of convertible bonds	**–**	13,373
Others	**(14,726)**	4,364
	(16,021)	(1,047,086)

5. INCOME TAX (EXPENSE)/CREDIT

	2020	2019
	RMB'000	*RMB'000*
Current income tax:		
– Hong Kong	**–**	945
– PRC enterprise income tax ("**EIT**")	**12,408**	7,780
	12,408	8,725
(Over)/under-provision in prior year:		
– Hong Kong	**(429)**	–
– PRC EIT	**–**	1,709
	11,979	10,434
Overseas withholding income tax	**232**	–
Deferred income tax	**(7,824)**	(11,925)
Income tax expense/(credit)	**4,387**	(1,491)

6. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2020 and 2019. The Board does not recommend the payment of dividend for the year ended 31 December 2020 (2019: Nil).

7. LOSS PER SHARE

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

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2020 and 2019.

	2020	2019
Loss attributable to owners of the Company (RMB'000)	**(373,724)**	(2,187,830)
Weighted average number of ordinary shares in issue	**5,026,892,000**	5,026,892,000
Loss per share (RMB)	**(0.07)**	(0.44)

(b) Diluted

The Company did not have any potential dilutive shares in issue for the years ended 31 December 2020 and 2019. Accordingly, the diluted loss per share was the same as the basic loss per shares.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Trade receivables	**492,256**	435,373
Less: allowance for trade receivables	**(32,494)**	(50,054)
	459,762	385,319
Bills receivables	**94,105**	194,690
Receivables from non-controlling shareholders of Xishan Schools	**95,769**	91,687
Prepayment to a supplier of automotive parts	**54,239**	–
Rental deposits, prepayments and other receivables	**282,342**	337,002
Less: allowance for other receivables	**(98,034)**	(39,216)
	888,183	969,482
Value-added tax recoverable	**199**	12,667
Advances to suppliers	**25,566**	34,732
	913,948	1,016,881
Less: amounts shown under non-current assets	**(27,255)**	(114,216)
Total trade and other receivables shown under current assets	**886,693**	902,665

The aging of trade receivables presented based on invoice date (also approximate to the date of revenue recognition), net of allowance for trade receivables, is as follows:

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
0 to 90 days	**327,924**	347,234
91 to 180 days	**122,868**	24,214
181 to 365 days	**4,230**	13,871
Over 365 days	**4,740**	–
	459,762	385,319

The aging of bills receivables, presented based on receipt date, is as follows:

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0 to 30 days	**–**	52,870
31 to 60 days	**1,423**	67,374
61 to 90 days	**785**	16,898
91 to 120 days	**33,342**	21,905
121 to 150 days	**26,937**	23,504
151 to 180 days	**31,618**	12,039
181 to 365 days	**–**	100
	94,105	194,690

9. TRADE AND OTHER PAYABLES

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Trade payables	**506,067**	627,912
Bills payables	**77,350**	142,830
	583,417	770,742
Accruals and other payables	**160,863**	138,581
Payable to former shareholder of First Capital Fund Management Company Limited* (首控基金管理有限公司)	**–**	270,283
Customer deposits for securities trading	**58,273**	104,134
Other tax payables	**35,816**	19,486
Payroll and welfare payables	**122,148**	127,391
	960,517	1,430,617
Less: amounts shown under non-current liabilities	**(137)**	(142)
Total amounts shown under current liabilities	**960,380**	1,430,475

The following is an aging analysis of trade payables presented based on invoice date at the end of each reporting period:

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0 to 90 days	**388,404**	557,215
91 to 180 days	**67,222**	38,172
181 to 365 days	**15,244**	22,027
Over 365 days	**35,197**	10,498
	506,067	627,912

The following is an aging analysis of bills payables, presented based on issuance date at the end of each reporting period:

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0 to 30 days	**9,900**	24,400
31 to 60 days	**4,000**	21,430
61 to 90 days	**12,450**	5,000
91 to 180 days	**38,000**	52,000
Over 180 days	**13,000**	40,000
	77,350	142,830

10. BORROWINGS

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Bank borrowings	**541,073**	497,500
Notes and debentures	**709,932**	419,194
Other borrowings	**292,654**	893,111
Loan from Shenzhen Shouzhong Education Development Equity Investment Enterprise (Limited Partnership)* (深圳首中教育產業發展股權投資企業(有限合夥))	**–**	103,317
Loans from government	**59,238**	48,694
Loans from independent third parties	**233,416**	741,100
	1,543,659	1,809,805
Unsecured and unguaranteed borrowings	**1,201,973**	1,201,493
Secured and unguaranteed borrowings	**341,686**	608,312
	1,543,659	1,809,805

The contractual maturity dates of borrowings are as follows:

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Within one year	**777,363**	1,236,845
Between one to two years	**381,678**	252,599
Between two to five years	**261,712**	187,827
Over five years	**122,906**	132,534
	1,543,659	1,809,805
Less: amounts shown under current liabilities	**(1,165,453)**	(1,236,845)
Amounts shown under non-current liabilities	**378,206**	572,960

As at 31 December 2020 and 2019, certain bank borrowings were reclassified from non-current liabilities to current liabilities as they became repayable on demand due to the breaching of covenants underlying the loan agreements.

11. SHARE CAPITAL

	Number of Shares		**Share capital**	
	2020	2019	**2020**	2019
	(in thousand)	*(in thousand)*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.02 each				
Authorised:				
At 1 January and 31 December	**50,000,000**	50,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At 1 January and 31 December	**5,026,892**	5,026,892	**100,538**	100,538

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Share capital presented in the consolidated statement of financial position	**84,283**	84,283

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in financial services business, which can provide services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing, and migration finance. Since 2016, the Group has continued to diversify its business, with the mission of "Finance Empowers Education, Education Lights Up Future", and established a trinitarians interactive business mode, which capitalises on educational operations as bases and educational management and financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education".

During the year under review, the Group achieved impressive results in its business. Edukeys Group (collectively, Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司) and its subsidiaries) won the "2020 Influential Education Group" award at the 2020 "Echoes of China" Tencent Annual Education Ceremony* (2020「迴響中國」騰訊教育年度盛典) for the PGA (Project of Global Access) high school international programme under its operation. Jiangxi Xishan was elected as one of the first 15 high schools with characteristic in Jiangxi Province and it was the only private school on the list. Following the certification and naming of the kindergarten of Fuqing Xishan as a "Featured National Football Kindergarten" by the Ministry of Education in August 2019, the kindergarten of Jiangxi Xishan was certificated and named as a "Featured National Football Kindergarten" by the Ministry of Education in January 2021. The Group was awarded the Platinum Winner Worldwide at the 2019 Vision Awards hosted by the League of American Communications Professionals LLC (LACP) for its 2019 annual report, and was nominated in the Top 100 Reports Worldwide. The Group also gained three awards at the 34th International ARC Awards organised by MerComm, Inc. and the IADA 2020 selection organised by The International Annual Report Design Awards (IADA).

The Group also proactively fulfilled its corporate social responsibility by donating special funds to Xichuan Red Cross* (淅川縣紅十字會) for the prevention of the COVID-19 epidemic and to Fujian Poverty Alleviation Foundation* (福建省扶貧基金會) for poverty alleviation. The Group also made donations to the education system of Basu County in Tibet Autonomous Region, reduced or waived the tuition fees of outstanding students from disadvantaged families, and co-organised with Tencent "Youth Go (青年行)" providing live broadcast charitable online lectures to secondary students in the Guangdong-Hong Kong-Macao Greater Bay Area.

BUSINESS REVIEW

The COVID-19 epidemic spread worldwide in 2020 and has not been effectively controlled. The dramatic changes in the global economic landscape and industrial environment have brought multiple challenges and uncertainties to the business operations and expansion of various market entities. The Group actively responded to the epidemic-induced challenges, with effective measures to tackle adverse factors and promote the steady development of each business segment. In the meantime, the Group tapped into the fresh transformations and opportunities brought by the epidemic to develop innovative business models, optimise its business layout and expand its business contents.

Education Operation Business

Education serves as the foundation of national development in the long run. Education is the fundamental means for mankind to inherit their cultural heritage and knowledge, cultivate the younger generation and work for a better living. Upon the march of time, while the importance of knowledge and talents is increasing, the role and function of education are protruding. With the increasing disposable income of citizens in China, the growing population of the middle class and the implementation of the "Universal Two-child Policy" across the country, the huge population base and increasing competition for talents and employment have resulted in continuous rigid demand for quality education. As one of the largest education markets in the world, China has always emphasised on education development with the state financial spending on education consecutively accounting for more than 4% of the GDP since 2012. In order to develop fairer and higher quality education, the government has introduced multiple policies, accelerating education modernisation, strengthening education reform, improving education quality vigorously, encouraging social forces to invest in education and promoting the development of the private education sector in a steady and healthy manner, which bring long-term development opportunities to enterprises truly committed to education.

In view of this, the Group actively seized development opportunities in the education industry. In line with the trend of regulating development of the industry, the Group has adopted a model of endogenous growth which mainly focused on management improvement. The Group emphasised on quality literacy education, featured education from kindergarten through twelfth grade ("**K-12**") and international education. It also optimised its allocation of educational resources, promoted project synergy and integration in respect of curriculums, teachers, brands and operation, and explored the potentiality of education assets and enhanced their intrinsic value to establish the Group's core competitiveness.

In order to prevent the spread of COVID-19 epidemic in school campuses and ensure the safety and health of teachers and students, in January 2020, the Ministry of Education issued a notice requiring a postponement of the spring semester in 2020. In February 2020, the General Office of the Ministry of Education and the General Office of the Ministry of Industry and Information Technology jointly issued the Notice on the Work Arrangement of "Suspending Classes without Stopping Learning" during the Period of Postponement of Spring Semester of Primary and Middle Schools* (《關於中小學延期開學期間「停課不停學」有關工作安排的通知》), which integrates high quality educational resource, launches the national network cloud platform and online television classes for the primary and middle schools, and provides relevant learning resources at no extra cost to support and help students who study at home. Xishan Schools and Yinghua School did well in epidemic prevention and control in accordance with the Guidelines on COVID-19 Prevention and Control in Primary and Middle Schools* (《中小學校新型冠狀病毒肺炎防控指南》). They organised nucleic acid tests for all the staff, purchased anti-epidemic supplies such as face masks, disinfectants and temperature guns, set up tents as temporary isolation points and arranged external disinfection vehicles to disinfect everywhere of the campuses, and coordinated the aspects between epidemic prevention and control and teaching. During the period of class suspension, the Group set up cloud classes by means of the "Internet + Education" model, and conducted live broadcast teaching through online teaching platform where students study online on their own, and teachers provide online coaching and tutoring and supervise and randomly check the results of their independent learning. Experts were also invited to conduct training lectures to offer teachers scientific guidance on online teaching. Xishan Schools have proactively conducted online activities for family-school co-education and specially invited mental health education experts to give online education lectures on life safety, promoted and popularised the knowledge of epidemic prevention and control, and facilitated the educational guidance and psychological counselling.

The Group put forth efforts to strengthen the operation and management of its invested education projects, and boosted teaching quality effectively by focusing on the teaching reform. Fuqing Xishan developed the "Smart Classroom" and actively explorated innovative education. Jiangxi Xishan established its "High-quality Senior High School", where famous teachers were introduced with a focus on "Teaching and Performance", coupled with a variety of teaching and research approaches to prepare, compete on and hone their lessons at multiple levels. The Group guided its teachers to cultivate a sense of lifelong learning, proactively organised activities such as "Indigo Blue Project* (青藍工程)" and "Class Observation and Evaluation", and paired up experienced and fresh teachers to help each other, groom new teachers with the help of experienced ones in the name of "Pass, Help and Lead (傳、幫、帶)". At the same time, the Group vigorously reformed the performance appraisal of teachers and established a promotion system for them, to develop a virtuous mechanism of competition with performance-based remuneration and promote the teaching and comprehensive capabilities of the teaching team as a whole.

The Group vigorously developed its featured education such as football, martial arts, physical education and fine arts. The scale and quality of the Group's educational projects have improved steadily with impressive results. Graduates of the PGA programme operated by Edukeys Group have been admitted into first-class universities in the United States, the United Kingdom, Canada and Australia, such as Oxford University, Imperial College London, Cornell University, and Rice University. Students from Jiangxi Xishan won the first prize in Girls Group A, the second prize in Girls Group B and the first prize in Boys Group B in the 2020 Jiangxi Youth Football Tournament* (江西省青少年足球錦標賽). Jiangxi Xishan also won the first prize in the Primary School Girls Group and the third prize in the Primary School Boys Group in the Sixth Hundred Counties Youth Football Tournament in Jiangxi Province* (江西省第六屆百縣青少年足球比賽). Students from Fuqing Xishan won the second prize (group award) in the Fujian Youth Sports Science and Technology Innovation Competition* (福建省青少年體育科技創新大賽), and the first prize in the High School Girls Group and the second prize in the High School Boys Group in the Fujian Youth Campus Football League cum Secondary School Football Tournament* (福建省青少年校園足球聯賽暨中學生足球錦標賽).

Financial Services Business

The Group has obtained diversified financial service licences and has established a consummate financial services system by leveraging on First Capital Financial Group Limited ("**FC Financial Group**") as the foundation. The Group empowered education through financial services business, integratively used multiple financial instruments and strategies to proactively expand its business, and provided various educational entities and other entities with featured, differentiated and professional financial services.

First Capital Securities Limited ("**FC Securities**") is licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("**SFO**") (Chapter 571 of the Laws of Hong Kong). In addition to dealing in securities and providing margin financing business to customers, it is also engaged in underwriting and placing of shares for listing applicants and listed companies. First Capital Asset Management Limited ("**FC Asset Management**") is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. It can provide portfolio management services (such as stocks, bonds, discretionary managed accounts, and funds), investment consultation and investment advisory services to its clients. First Capital International Finance Limited ("**FC International Finance**") is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and was admitted by the Securities and Futures Commission ("**SFC**") as a sponsor under the SFO. As such, FC International Finance can act as a sponsor for listing applicants in initial public offering ("**IPO**"), advise on matters in relation to the "Codes on Takeovers and Mergers and Share Buy-backs" issued by the SFC, and advise listed companies in relation to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**"). First Capital Finance Limited holds a money lenders license. It can carry out money lenders business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). First Capital Fund Management Company Limited* (首控基金管理有限公司) and First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司), a wholly-owned subsidiary of FC Asset Management, have both been registered as private equity fund managers with the Asset Management Association of China, which permit them to initiate establishment of or be entrusted for the management of private equity investment funds and venture capital funds.

During the year under review, the global capital market faced severe volatility and the uncertainties were rising. The circuit breaker was triggered four times in the US stock market that was very rare in history, causing a roller coaster ride in global stock markets, and the settlement price of WTI crude oil futures contract closed at negative value for the first time in history. However, in the meantime, China attained stellar performance in epidemic prevention and control, which enabled recovery and stability in its economic development. In 2020, China recorded a GDP in excess of RMB100 trillion for the first time, making it the only economy with positive growth in the world's major economies. The Chinese capital market also delivered outstanding performance. The ChiNext Index gained about 65% in 2020, ranking second in the world's major indices after the Hang Seng TECH Index by growth rate. In 2020, the Hong Kong spot market recorded an average daily turnover of approximately HK$129.5 billion, representing an increase of approximately 49% year on year. The successful secondary listings of JD.com, Inc., NetEase, Inc. and New Oriental Education & Technology Group Inc. in Hong Kong had attracted a lot of capital subscriptions. Many well-known new economy companies and offshore-listed Chinese concepts stocks have both opted for Hong Kong for their IPO and returning and secondary listing respectively, which highlighted the strength of Hong Kong capital market, further reinforced Hong Kong as an international financial centre and underscored Hong Kong as a bridge between the Mainland China and the rest of the world.

During the year under review, the Group's financial services business actively responded to the epidemic by setting up an epidemic prevention and control team, arranging and implementing various epidemic prevention measures in an orderly manner. It arranged professional staff to offer regular disinfection to office premises, and issued anti-epidemic subsidies and supplies to employees. The Group also implemented dynamic management towards its employees and adopted flexible working methods, with a combination of work from home and rotation to work, in order to fully protect both physical and mental health and safety of its employees and ensure the stable and orderly operation of various businesses. FC Securities, FC Asset Management and FC International Finance have paid high attention to market dynamics and kept abreast of the market development trends. They overcame the impact on expanding the Mainland China's market and developing the Mainland China's customers due to travel restrictions and quarantine policies under the prevention and control of the epidemic. They strengthened communication with existing customers and assisted and guided customers to participate in new subscriptions of the IPO of new economy companies and secondary listing of offshore-listed Chinese concepts stocks, and actively expanded potential customer bases in order to obtain more business opportunities.

FC International Finance acted as joint sponsor, independent financial advisor and financial advisor for a number of transactions. In particular, the deemed new listing application of United Strength Power Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2337), to which FC International Finance acted as the joint sponsor, was completed during the year under review. FC International Finance also acted as an independent financial advisor to the independent board committee and the independent shareholders of Time Interconnect Technology Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1729) for an extreme and connected transaction, and financial adviser to China Tontine Wines Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 389) in relation to the placing of convertible bonds under the general mandate. FC Securities acted as the underwriter for the rights issue project of Greatwalle Inc. (a company listed on the GEM of the Stock Exchange, stock code: 8315) and the deemed new listing application project of United Strength Power Holdings Limited. First Capital Global Education Investments SP under the management of FC Asset Management, adopted diverse and flexible investment strategies to invest in secondary-market stocks and explore opportunities for IPO investment, with good performance during the year under review. At the same time, the fund investment advisory business has been actively developed by FC Asset Management and the scale of fund investment advisory grew significantly during the year under review.

Automotive Parts Business

According to the statistics of the China Association of Automobile Manufacturers, as affected by the COVID-19 epidemic, both production and sales of automobiles declined sharply in January and February 2020, representing a year-on-year decrease of approximately 45.8% and approximately 42.0%, respectively. Since March 2020, prevention and control over the epidemic in China have experienced a continuous improvement, and production and operation among enterprises have gradually resumed. The production and sales of automobiles maintained a recovery momentum robustly, displaying a positive trend of development. In 2020, the production and sales of automobiles amounted to approximately 25,225,000 and approximately 25,311,000, respectively, representing a year-on-year decrease of approximately 2.0% and approximately 1.9%, respectively. Such declines narrowed by approximately 5.5 and approximately 6.3 percentage points as compared to 2019, respectively.

Confronted with the impact of the epidemic, the Group's automotive parts business juggled the prevention and control of the epidemic as well as the resumption of production. The Group was meticulous under the guidance about resuming work and production during the prevention and control of the epidemic period, and the production was resumed in an orderly manner. The Group continued to adhere to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management". Moreover, by deepening the promotion of Amoeba management model, the Group effectively controlled the cost of production and operation and exerted its existing advantages on brands and technologies to ramp up the level of product R&D and quality control and establish efficient and productive factories. In light of the trend of automobile industry and operating circumstances of automotive manufacturers, the Group continued to optimise and improve the structure of products and customers and deeply explore the potentiality of the market in order to develop new markets.

During the year under review, the Group successfully developed new vehicle manufacturer markets such as Great Wall Motors, BYD Commercial Vehicles, Shaanxi Heavy Duty Automobile, CRRC Changchun Railway Vehicles, Xiaopeng Vehicle and NIO Inc. and completed the R&D of new shock absorber products for respective vehicle models. The Group has become the global supplier for absorbers of Sweden Volvo Commercial Automobile Company and German Daimler Commercial Automobile Company, respectively, as a result of passing their examination. The Group also set up an R&D centre in Shanghai to enhance its technological innovation capabilities in automotive suspension and shock absorbers.

OUTLOOK

Education Operation Business

Knowledge changes fate, and education shapes the future. Education is of potential productivity that can improve population quality and turn potential productivity into actuality. Education is the driving force for social development. The key element of competition of economy is the competition of science and technology, which ultimately attributes to the competition of talents, whereas the foundation is on education. Today's scientific and technological achievements determine tomorrow's productivity, whereas today's education determines tomorrow's scientific and technological achievements and future productivity.

The "Book of Rites" said that "teachers impart knowledge in order to cultivate good morality of students (師也者，教之以事而喻諸德者也)". With the development of society, education needs and scenes are constantly evolving. No matter how times change, the essence of education remains "Developing morality and shaping character (立德樹人)". The demand for better, fairer and more personalised education has shifted the orientation of education from knowledge to literacy and ability, with specific attention to holistic education, skill education and lifelong education and specific caring for the holistic development of educatees.

In January 2020, the national education work conference proposed to enhance the pertinence and effectiveness of the fundamental task of "Developing morality and shaping character" and implement the strategy of giving priority to the development of education unswervingly, strengthen the construction of teaching team comprehensively, promote the reform and opening up of education to achieve new breakthroughs, and construct an education system serving lifelong learning for all. In March 2020, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Comprehensively Strengthening Labour Education in Universities, Middle Schools and Primary Schools in the New Era* (《關於全面加強新時代大中小學勞動教育的意見》), which indicates that we should adhere to the principle of "Developing morality and shaping character", incorporate labour education into the whole process of talent cultivation throughout all stages of education in universities, middle schools and primary schools as well as all aspects of family, school and society, and integrate labour education with moral, intellectual, physical and aesthetic education, in order to construct a comprehensive education system covering moral, intellectual, physical, aesthetic and labour education. In October 2020, "The Overall Plan for Deepening the Reform of Education Evaluation in the New Era* (《深化新時代教育評價改革總體方案》)" issued by the Central Committee of the Communist Party of China and the State Council stressed the need to improve the institutional mechanism of "Developing morality and shaping character", reverse the unscientific direction of education evaluation, resolutely address the chronic preference of score, further education and diploma, improve the ability and level of education governance, reform student evaluation, and promote the overall development of moral, intellectual, physical, aesthetic and labour.

The Group commits to its original education thoughts of "Whoever you are, you have a right to learn (有教無類)" and "Everyone can become a successful man". With the mission of "Finance Empowers Education, Education Lights Up Future", the Group attaches importance to quality education and incorporates advanced educational concepts and methods through its international insight, allocates eastern and western quality educational resources, achieves capital empowerment and value creation of industries, and supports holistic education and quality education for the general public, in order to offer quality education to every family and child, and enlighten and light up the journey of success for every child.

When school was suspended, the learning of students was not disrupted by the disruption of class, and millions of teachers and students participated in online teaching. The construction of China's education informationisation received a "big drill", and online teaching gradually became a parallel teaching mode with offline teaching. Adopting remote learning as a major mode of education is not only an extraordinary means dealing with the plight of the education industry in the time of the epidemic, but also an exploration and attempt of new forms of future education. Online education has changed the teaching mode of teachers, the learning mode of students, the management mode of schools, as well as the scenes and forms of education. It has promoted the transformation of education from teacher-oriented to student-oriented. Under the trend of "Internet +", the integration of traditional education mode and online education mode, and the seamless connection between in class and outside class will be the direction of future education development.

Looking ahead to 2021, the Group will follow the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the post-epidemic era. The Group will focus on the all-rounded development of teachers, increase efforts on teacher training and expand the scope of teacher training. Training will take place at multiple levels and on multiple aspects, covering areas such as research, teaching and innovative educational concepts. Great efforts will be made to introduce talented teachers and subject leaders, establish a mechanism and platform for the selection and cultivation of talented teachers on campus, and build a team of outstanding teachers fanning out from point to area to promote the professional growth of teachers. The Group will start with the promotion of teaching and classroom reform, utilise the "Internet+" model and integrate new information technologies such as big data and cloud computing with education and teaching. By doing so, the Group will introduce smart classrooms and dual-teacher classrooms, promote the "interactive, heuristic, exploratory and experiential" teaching mode, realise personalised learning, and promote students' comprehensive ability and intelligence development. The Group will continue to optimise the curriculum structure, create a series of high-quality curriculums, and engage in quality literacy education focusing on STEAM (Science, Technology, Engineering, Arts and Mathematics) education, and adhere to featured education such as football and martial arts, integrate domestic and overseas quality educational resources to establish featured and reputable schools. Leveraging on the brand and market influence in the PGA international programme system, the Group will introduce quality resources in the field of international education as supplement to establish a new international education service platform. In the meantime, the Group will also push forward the exploration and implementation in areas such as media arts education, vocational education, and industry-education integration.

Financial Services Business

Owing to the operational innovation and institutional reform of the Stock Exchange, more Chinese-funded enterprises opted for Hong Kong for primary or secondary listing and the trend is promising. In 2020, there were a total of 154 companies (including those companies that were transferred from GEM to the Main Board) newly listed on the Stock Exchange, which have raised a total amount of approximately HK$397.5 billion, representing a year-on-year increase of approximately 27%. It represented the highest amount of capital raised for a single year since 2010. Of the total, approximately 64% came from 50 new economy companies (including 22 companies with different voting structures, biotechnology companies and/or secondary listings under the new listing regime). In May 2020, MSCI reached an agreement with the Stock Exchange to jointly launch products pertaining to Asia and emerging market indices, which will sustain the thriving development of the Hong Kong derivatives market.

Trading has been increasingly active, by the growing maturity of interconnection mechanisms such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect. The growth in transaction size has injected new vitality into the Mainland China and Hong Kong capital markets. The Stock Exchange, Shanghai Stock Exchange ("**SSE**") and Shenzhen Stock Exchange ("**SZSE**") have reached a consensus on the simultaneous expansion of the scope of the Shanghai and Shenzhen-Hong Kong Stock Connects by including the stocks of the Science and Technology Innovation Board and biotechnology companies listed in Hong Kong as targets. Bond Connect, which embraced its third anniversary, recorded an average daily trading volume of approximately RMB19.8 billion in 2020, representing a year-on-year growth of approximately 85%. Meanwhile, China proceeds with its capital market reform and innovation at a steady pace, with the registration-based system successfully implemented at the Science and Technology Innovation Board of SSE and the Growth Enterprise Market of SZSE. China A-shares have been included into the MSCI indices and the FTSE Russell indices, which will further push forward the standardisation and international advancement of China's capital market and attract international investors to engage in China's securities market.

Looking ahead to 2021, with unprecedented challenges from the COVID-19 epidemic, the global economy is expected to experience difficulty in its recovery and global cooperation is critical to balance anti-epidemic efforts with economic recovery properly. In the post-epidemic era, uncertainties and risks will increase, such as global geopolitics, the US-China rivalry and effectiveness of vaccination. The financial markets in Hong Kong and the world will face various pressures and challenges, as well as various development opportunities.

With its outstanding performance in the past, the Group's financial services business has framed a highly recognised brand and considerable market influence. The Group will follow the prevailing situation, seize the timing and actively explore business opportunities to promote the robust development of its financial services business. The Group will leverage its diversified financial service licences and consummate financial service system and regard FC Financial Group as the base. The Group will enable business units including investment banking, securities, asset management and research to work more closely, and adhere to the strategies of differentiated and characteristic development. The Group will pursue a people-oriented philosophy, implement a refined management strategy, stabilise and expand its workforce, innovate and upgrade its product and service systems, strengthen its business channels, maintain and expand its customer bases, and provide diversified and personalised professional financial services to its customers.

Automotive Parts Business

Looking ahead to 2021, the control of the epidemic is overall positive, COVID-19 vaccine has been released gradually and the vaccination has started. However, SARS-Cov-2 mutations occur from time to time, as the regional rebound of the epidemic may last for a relatively long period of time. The international community still faces considerable uncertainties in epidemic prevention, control and development, and the macro economy and overseas market demand will take time to fully recover. As a result, the automobile and automotive parts industries are still facing greater challenges. The Group will implement effective development strategies to promote the development of its automotive parts business.

The Group's automotive parts business will continue to target for "Top Quality and Customer Satisfaction", establish an appraisal system of "Focuses on Process and Results", keep on strengthening the implementation of its quality system and improve the product quality and customer satisfaction. The Group will continue to exert its existing advantages on brands and technologies, keep on optimising and improving its product mix and customer structure, deeply explore the potentiality of the market and develop emerging markets such as the after-sales market, the international market and the rail transit market.

The Group regards the development of R&D capability as its core work. The technology centre of the Group has been certified as the "National Enterprise Technology Centre" by five ministries including the National Development and Reform Commission, the Ministry of Science and Technology and the Ministry of Finance. The Group's materials laboratory has been successfully recognised by SAIC Volkswagen Automotive Co., Ltd. The Group strives to build first-class R&D centres in areas such as Italy, Shanghai and Nanyang by equipping them with advanced experimental and testing equipment and excellent design technologists. The Group implements the technical management concept of "Utilisation, R&D and Reserve" in order to boost its reserve, market promotion and application of new technologies and achieve the industrialised conversion of new technologies of shock absorbers.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's overall revenue decreased by approximately 5.2% to approximately RMB1,361.2 million from approximately RMB1,436.0 million in 2019, of which revenue from automotive parts business increased by approximately 2.7% to approximately RMB942.9 million from approximately RMB917.8 million in 2019, revenue from financial services business decreased by approximately 68.0% to approximately RMB30.9 million from approximately RMB96.7 million in 2019, and revenue from education operation business decreased by approximately 8.1% to approximately RMB387.4 million from approximately RMB421.5 million in 2019. The decrease in revenue was mainly due to the decrease in revenue of financial services business.

Cost of sales/services

For the year ended 31 December 2020, the Group's overall cost of sales/services decreased by approximately 2.8% to approximately RMB1,045.4 million from approximately RMB1,075.8 million in 2019, of which cost of sales from automotive parts business increased by approximately 2.7% to approximately RMB810.8 million from approximately RMB789.3 million in 2019, cost of services from financial services business decreased by approximately 69.1% to approximately RMB2.1 million from approximately RMB6.8 million in 2019, and cost of services from education operation business decreased by approximately 16.9% to approximately RMB232.5 million from approximately RMB279.7 million in 2019. The decrease in cost of sales/services was mainly due to the decrease in cost of services of education operation business.

Gross profit

For the year ended 31 December 2020, the Group's overall gross profit decreased by approximately 12.3% to approximately RMB315.8 million from approximately RMB360.2 million in 2019, of which gross profit from automotive parts business increased by approximately 2.8% to approximately RMB132.1 million from approximately RMB128.5 million in 2019, gross profit from financial services business decreased by approximately 68.0% to approximately RMB28.8 million from approximately RMB89.9 million in 2019, and gross profit from education operation business increased by approximately 9.2% to approximately RMB154.9 million from approximately RMB141.8 million in 2019. The decrease in gross profit was mainly due to the decrease in revenue of financial services business.

Gross profit margin

For the year ended 31 December 2020, the Group's overall gross profit margin decreased by approximately 1.9 percentage points to approximately 23.2% from approximately 25.1% in 2019, of which gross profit margin of automotive parts business was approximately 14.0%, which remained the same as in 2019, gross profit margin of financial services business increased by approximately 0.2 percentage points to approximately 93.2% from approximately 93.0% in 2019, and gross profit margin of education operation business increased by approximately 6.4 percentage points to approximately 40.0% from approximately 33.6% in 2019.

Other income and expenses

For the year ended 31 December 2020, the Group recorded other income of approximately RMB63.6 million, representing a decrease of approximately RMB35.8 million from approximately RMB99.4 million in 2019. Such income was primarily the income of school campus ancillary services and government grants.

Other losses

For the year ended 31 December 2020, the Group recorded other losses of approximately RMB16.0 million, representing a decrease of approximately RMB1,031.1 million from approximately RMB1,047.1 million in 2019. Such losses primarily represented the loss arising from the unfavourable fair value changes of financial assets measured at FVTPL.

Expected credit losses

The Group recognised the expected credit losses based on the internal credit rating and historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the period as well as the forecast of future conditions. For the year ended 31 December 2020, the Group's provision on expected credit losses amounted to approximately RMB103.2 million, representing a decrease of approximately RMB93.7 million from approximately RMB196.9 million in 2019.

Impairment losses on goodwill, tangible and intangible assets

For goodwill and intangible assets with indefinite useful lives, the Group conducted impairment test annually and assessed the impairment based on the valuation carried out by an independent professional valuer. For the year ended 31 December 2020, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB48.5 million, representing a decrease of approximately RMB222.9 million from approximately RMB271.4 million in 2019. Such losses represented the impairment of goodwill of Edukeys Group.

Selling and distribution expenses

For the year ended 31 December 2020, the Group's selling and distribution expenses decreased by approximately 49.8% to approximately RMB63.1 million from approximately RMB125.8 million in 2019. Such decrease was mainly due to the decrease in after-sale services expenses and other distribution expenses in the automotive parts business.

R&D expenditure

For the year ended 31 December 2020, the Group's R&D expenditure increased by approximately 5.3% to approximately RMB54.0 million from approximately RMB51.3 million in 2019. Such increase was mainly due to the increase in investment in the R&D centers of automotive parts business.

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses decreased by approximately 21.5% to approximately RMB269.5 million from approximately RMB343.3 million in 2019. Such decrease was mainly due to the Group's enhancement in the management of administrative expenses, optimisation of office premises and the remuneration of management personnel.

Finance costs

For the year ended 31 December 2020, the Group's finance costs decreased by approximately 24.0% to approximately RMB217.4 million from approximately RMB286.0 million in 2019. Such decrease was mainly due to the decrease in the borrowings of the Group.

Taxation

For the year ended 31 December 2020, the Group's taxation was the income tax expense of approximately RMB4.4 million as compared with the income tax credit of approximately RMB1.5 million in 2019. Such change was mainly due to the increase in the PRC current income tax expense and the decrease in deferred income tax credit.

Loss for the year

For the year ended 31 December 2020, the Group recorded a loss of approximately RMB402.2 million, representing a decrease of approximately 82.2% as compared with a loss of approximately RMB2,257.2 million in 2019. Such loss was mainly due to the loss arising from the unfavourable fair value changes of financial assets measured at FVTPL and expected credit loss.

Loss per Share

For the year ended 31 December 2020, the basic and diluted loss per Share of the Group amounted to approximately RMB0.07, while the basic and diluted loss per Share amounted to approximately RMB0.44 in 2019.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities

The Group adopts prudent financial policies, closely monitors its financial positions, and maintains adequate working capital and liquidity, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2020, the Group's net current liabilities amounted to approximately RMB795.1 million, representing an increase of approximately 10.8% as compared with that of approximately RMB717.6 million as at 31 December 2019.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK$. As at 31 December 2020, the Group's cash and bank balances amounted to approximately RMB207.5 million, representing a decrease of approximately 10.4% as compared with that of approximately RMB231.6 million as at 31 December 2019.

The borrowings of the Group are denominated in RMB, HK$ or US$. The Group regularly reviews and monitors the borrowings level. As at 31 December 2020, the Group's total borrowings amounted to approximately RMB1,543.7 million, representing a decrease of approximately 14.7% as compared with that of approximately RMB1,809.8 million as at 31 December 2019. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB777.4 million as at 31 December 2020, representing a decrease of approximately 37.1% as compared with that of approximately RMB1,236.8 million as at 31 December 2019; (ii) borrowings due over one year but within two years amounted to approximately RMB381.7 million as at 31 December 2020, representing an increase of approximately 51.1% as compared with that of approximately RMB252.6 million as at 31 December 2019; (iii) borrowings due over two years but within five years amounted to approximately RMB261.7 million as at 31 December 2020, representing an increase of approximately 39.4% as compared with that of approximately RMB187.8 million as at 31 December 2019; and (iv) borrowings due over five years amounted to approximately RMB122.9 million as at 31 December 2020, representing a decrease of approximately 7.2% as compared with that of approximately RMB132.5 million as at 31 December 2019.

As at 31 December 2020, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 36.4% (31 December 2019: approximately 33.6%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2020, the Group's inventories amounted to approximately RMB93.4 million, representing a decrease of approximately 54.5% as compared with that of approximately RMB205.1 million as at 31 December 2019. Such decrease was mainly due to the decrease in finished goods of automotive parts business.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2020, the Group's trade receivables amounted to approximately RMB492.3 million, representing an increase of approximately 13.1% as compared with that of approximately RMB435.4 million as at 31 December 2019. Such increase was mainly due to the settlement delays from the customers of automotive parts business.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2020, the Group's trade payables amounted to approximately RMB506.1 million, representing a decrease of approximately 19.4% as compared with that of approximately RMB627.9 million as at 31 December 2019. Such decrease was mainly due to the decrease in procurement of automotive parts business.

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, Singapore Exchange Limited, Australian Securities Exchange and SSE as well as investments in unlisted entities. As at 31 December 2020, the fair value of such investments was approximately RMB692.3 million (31 December 2019: approximately RMB960.7 million), which was equivalent to approximately 15.5% (31 December 2019: approximately 16.5%) of the total assets of the Group as at 31 December 2020. For the year ended 31 December 2020, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB131.8 million (2019: approximately RMB976.8 million).

The Group's interests in joint ventures represented the investments in joint ventures. As at 31 December 2020, the carrying amount of such investments was approximately RMB237.9 million (31 December 2019: approximately RMB571.9 million), which was equivalent to approximately 5.3% (31 December 2019: approximately 9.8%) of the total assets of the Group as at 31 December 2020. For the year ended 31 December 2020, the share of results of joint ventures of the Group recorded a gain of approximately RMB10.9 million (2019: a loss of approximately RMB397.7 million).

The principal investment objective of the Group is to explore capital appreciation with a view to enhancing the application of the Group's financial resources and maximising returns for the shareholders of the Company (the "**Shareholders**"). Investments will be made by the Group in segments and industries that the Directors may determine from time to time having considered, among others, their prospect, returns to the Group and potential risks. Looking ahead, the global stock market will remain volatile due to the uncertainties as a result of COVID-19 epidemic, the Sino-US competition and geopolitical conditions. The performance of the Group's securities investments and other investments may be affected by such unstable market conditions. The Group will regularly review its investment strategies, and closely monitor the stock markets. In addition, the Group will seek potential investment opportunities to diversify its investment portfolio for the purpose of mitigating the related risks.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the year ended 31 December 2020, the Group's capital expenditures and capital commitments were primarily the expenses of automotive parts business and education operation business in respect of additions to properties, plants and equipment.

The Group has financed its capital expenditures primarily through the cash generated from operations, equity fundraising and debt financing.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2020, save as disclosed in this announcement, the Group did not have any material contingent liabilities (31 December 2019: Nil).

PLEDGE OF ASSETS

As at 31 December 2020, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB404.0 million (31 December 2019: approximately RMB371.6 million) and the Group's land, property and plant with a carrying amount of approximately RMB150.9 million (31 December 2019: approximately RMB150.9 million) had been pledged to acquire borrowings for the Group.

As at 31 December 2020, the Group's restricted bank balances with a carrying amount of approximately RMB150.9 million (31 December 2019: approximately RMB481.0 million) were used for customer deposits for trading securities and pledges for bills payables with a maturity of six months issued to suppliers.

HUMAN RESOURCES

As at 31 December 2020, the Group had 3,611 employees (31 December 2019: 3,896 employees). For the year ended 31 December 2020, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB356.8 million (2019: approximately RMB432.1 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the restricted bank balances and bank balances, and variable rate of interest incurred on bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loan receivables and borrowings.

The Group currently has not used any financial instrument to hedge the interest rate risk that it is exposed to. However, the Group monitors interest rate risk exposures and will consider hedging significant interest rate risk should the need arises.

FOREIGN EXCHANGE RISK

The consolidated financial statements of the Group are presented in RMB. Certain assets and liabilities of the Group are denominated in currencies other than RMB, such as HK$ and US$. Any material volatility in the exchange rates of these currencies against RMB may affect the financial position of the Group.

The Group currently has not used any financial instrument to hedge the foreign exchange risk that it is exposed to. However, the Group monitors foreign exchange risk exposures and will consider hedging significant foreign exchange risk should the need arise.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Disposal of interest in GSV AcceleraTE Fund I, L.P.

On 5 February 2020, First Capital International Investments Holdings Limited ("**FC International Investments**"), an indirect wholly-owned subsidiary of the Company, and Industry Ventures Secondary VIII-A, L.P. ("**Industry Ventures**"), entered into a purchase and sale agreement, pursuant to which FC International Investments has conditionally agreed to sell and Industry Ventures has conditionally agreed to purchase the entire interest in GSV AcceleraTE Fund I, L.P. at a consideration of approximately US$18.3 million. For further information, please refer to the announcement of the Company dated 5 February 2020.

Disposals and acquisition of shares in Sichuan Guangan AAA Public Co., Ltd.

Sichuan Yujiage Hotel Management Limited* (四川裕嘉閣酒店管理有限公司) ("**Yujiage Co.**"), an indirectly wholly-owned subsidiary of the Company, (i) from 25 September 2020 to 9 October 2020, had disposed of an aggregate of 7,380,000 shares of Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司) ("**Guangan AAA**"), a company listed on SSE (stock code: 600979), representing approximately 0.60% of the total issued shares of Guangan AAA as at 9 October 2020, of which the aggregate consideration was approximately RMB23.7 million (after deduction of the relevant transaction costs), (ii) from 16 October 2020 to 29 December 2020, had further disposed of an aggregate of 8,632,800 shares of Guangan AAA, representing approximately 0.7006% of the total issued shares of Guangan AAA as at 29 December 2020 , of which the aggregate consideration was approximately RMB28.37 million (after deduction of the relevant transaction costs), and (iii) from 16 October 2020 to 29 December 2020, had acquired an aggregate of 14,279 shares of Guangan AAA, representing approximately 0.0012% of the total issued shares of Guangan AAA as at 29 December 2020, of which the aggregate consideration was approximately RMB47,000 (inclusive of relevant transaction costs). For further information, please refer to the announcements of the Company dated 9 October 2020 and 29 December 2020, respectively.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the year ended 31 December 2020, the Company had not carried out any equity fund raising activities involving the utilisation of the general mandate granted at the annual general meeting of the Company (the "**AGM**") held on 5 June 2019 and the general mandate granted at the AGM held on 16 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2020, the Company had complied with the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules so as to enhance the corporate governance standard of the Company. During the year ended 31 December 2020, there has been no material changes of the corporate governance practices as compared with the information disclosed in the 2019 annual report of the Company.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code for the year ended 31 December 2020.

COMPLIANCE WITH THE STANDARD CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the year ended 31 December 2020.

COMPETITION AND CONFLICT OF INTERESTS

As at the date of this announcement, none of the Directors has, either directly or indirectly, any interest in any business which causes or may cause any significant competition with the business of the Group or has any other conflict of interests with the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19 October 2011, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Company. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

For the year ended 31 December 2020, 50,000,000 share options were granted under the Share Option Scheme by the Company. As at 31 December 2020, 50,000,000 share options under the Share Option Scheme were outstanding.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2020, save as disclosed below, to the best of the knowledge and belief of the Directors, the Group had not been involved in any significant legal proceedings or arbitration and there are no significant legal proceedings or claims pending or threatened against the Group.

As disclosed in the Company's announcement dated 30 September 2020, on 28 September 2020, a winding-up petition (the "**Petition**") was presented by a holder of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$800,000,000 issued by the Company to the High Court of Hong Kong (the "**High Court**") for the winding up of the Company. The Petition was related to the outstanding principal of the Convertible Bonds and the accrued interest in an aggregate amount of HK$863,406,849.32. As at the date of this announcement, the hearing of the Petition had been adjourned to 19 April 2021. For further information, please refer to the announcements of the Company dated 30 September 2020, 23 December 2020, 28 December 2020 and 8 February 2021, respectively.

As disclosed in the Company's announcement dated 28 December 2020, the holder of the Convertible Bonds as plaintiff commenced legal action (the "**Action**") against Mr. Tang Mingyang as defendant (the "**Defendant**") for the principal amount of the Convertible Bonds, default interest and costs, all arising out of the Convertible Bonds. Through a third party notice served to the Company on 9 December 2020, the Defendant purported to join Ms. Li Dan, the former Director as the 1st third party and the Company as the 2nd third party to the Action (the "**Third Party Action**") and summons for directions to deal with the Third Party Action was taken out by the Defendant. As at the date of this announcement, the hearing of the summons for directions in relation to the Third Party Action had been adjourned to 12 April 2021. For further information, please refer to the Company's announcements dated 28 December 2020 and 11 February 2021, respectively.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") has resigned as the auditor of the Company with effect from 23 December 2020. The Board has resolved to appoint Linksfield CPA Limited ("**Linksfield**") as the new auditor of the Company with effect from 23 December 2020 to fill the casual vacancy following the resignation of Deloitte. Linksfield shall hold office until the conclusion of the next AGM pursuant to the articles of association of the Company. For further information, please refer to the announcement of the Company dated 23 December 2020.

SCOPE OF WORK OF LINKSFIELD

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, Linksfield, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 30 March 2021. The work performed by Linksfield 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 Linksfield on this announcement.

EXTRACT OF THE AUDITOR'S REPORT

The below sections set out an extract of the report by Linksfield, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2020:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in note 2.1.1 to the consolidated financial statements, the Group reported a loss attributable to owners of the Company of approximately RMB374 million for the year ended 31 December 2020. As at 31 December 2020, the Group had accumulated losses of approximately RMB4,013 million and the Group's current liabilities exceeded its current assets by approximately RMB795 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,295 million, of which the total current borrowings and convertible bonds amounted to approximately RMB1,917 million, while its bank balances and cash amounted to approximately RMB207 million only. In addition, during the year ended 31 December 2020, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million). As at 31 December 2020, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB752 million and were classified as current liabilities. These conditions, together with other matters described in note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

THE COMPANY'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) the Group has been actively negotiating with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds;

(ii) the Group has been actively negotiating new sources of financing, such as banks borrowings and placement, etc.;

(iii) in light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact on the Group's operations from time to time to generate sufficient cash;

(iv) the Group has implemented measures to speed up the collection of outstanding debts;

(v) the Group has ongoing communication with its creditors and monitored closely any settlement requests of trade payables. In the opinion of the Directors, it is expected that the Group could further negotiate with its creditors and agree on the settlement agreements, where applicable; and

(vi) the Group will continue to take active measures to control administrative costs through various channels including human resources optimisation, management remuneration adjustments and containment of capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. The Company has considered the rationale of the auditor of the Company and understood its consideration in arriving the disclaimer of opinion.

AUDIT COMMITTEE’S VIEW ON THE DISCLAIMER OF OPINION

The Company has established an audit committee (the “**Audit Committee**”) pursuant to Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference in compliance with the requirements of the Corporate Governance Code, to review and supervise the Group’s financial reporting process and internal control systems. The Audit Committee comprises three INEDs. The Audit Committee has reviewed the Group’s consolidated financial statements and annual results for the year ended 31 December 2020. They expressed no disagreement with the accounting policies and principles adopted by the Group.

The Audit Committee had reviewed the basis for disclaimer of opinion, the Company’s concerning the basis for disclaimer of opinion and measures taken by the Company for addressing the basis for disclaimer of opinion. The Audit Committee agreed with the Company’s position. Moreover, the Audit Committee requested the Company to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year. The Audit Committee had also discussed with the auditor of the Company regarding the financial position of the Group, measures taken and to be taken by the Company, and considered its rationale and understood its consideration in arriving the disclaimer of opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Wednesday, 9 June 2021. Notice of the forthcoming AGM will be published and despatched to the Shareholders in accordance with the articles of association of the Company and the Listing Rules as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 June 2021 to Wednesday, 9 June 2021, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 June 2021, for registration.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk. The annual report of the Company for the year ended 31 December 2020, in both English and Chinese versions, will be despatched to the Shareholders to their choice of means of receipt and language of corporate communications of the Company, and will also be available on the same websites as mentioned above in due course.

SUBSEQUENT EVENT

Change of address of principal share registrar and transfer office in the Cayman Islands

With effect from 1 March 2021, the address of Suntera (Cayman) Limited, the Cayman Islands principal share registrar and transfer office of the Company was changed to Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. For further information, please refer to the announcement of the Company dated 1 March 2021.

APPRECIATION

The Group would like to express its sincere appreciation for the unremitted effort and dedication made by the Board, the management of the Group and all of its staff, as well as the continuous support from the Shareholders, loyal customers, the government, business partners and professional advisers.

By Order of the Board
China First Capital Group Limited
Wilson Sea
Chairman and Executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, Mr. Zhao Zhijun and Dr. Zhu Huanqiang; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan.

* *For identification purpose only*