

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

<i>RMB' million</i>	For the six months ended 30 June		Increase/ (Decrease)
	2021	2020	
Revenue	710.1	603.4	17.7%
Loss for the period attributable to owners of the Company	(204.3)	(339.1)	(39.8%)
Basic loss per Share	RMB(0.040)	RMB(0.067)	(40.3%)
<i>RMB' million</i>	As at	As at	Increase/ (Decrease)
	30 June 2021	31 December 2020	
Total assets	4,536.8	4,455.2	1.8%
Equity attributable to owners of the Company	12.4	193.3	(93.6%)
Net asset value per Share (<i>Note</i>)	RMB0.002	RMB0.04	(95.0%)

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)”) as at the end of the period.

INTERIM RESULTS

The Board (the “**Board**”) of directors (the “**Director(s)**”) of China First Capital Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended	
	NOTES	30 June 2021	30 June 2020
		RMB'000	RMB'000
Revenue	3	710,134	603,406
Cost of sales/services		(539,490)	(471,754)
Gross profit		170,644	131,652
Other income and expenses		35,166	24,985
Other losses, net		(82,962)	(141,156)
Expected credit losses (“ ECL ”), net of reversal		(12,852)	(83,334)
Impairment losses on goodwill, tangible and intangible assets		(10,719)	(23,602)
Selling and distribution expenses		(41,878)	(39,977)
Research and development (“ R&D ”) expenditure		(26,878)	(16,697)
Administrative expenses		(146,220)	(119,769)
Operating losses		(115,699)	(267,898)
Finance costs		(103,446)	(125,760)
Share of results of associates		285	(2,374)
Share of results of joint ventures		7,092	30,880
Loss before income tax		(211,768)	(365,152)
Income tax credit/(expense)	4	3,627	(2,527)
Loss for the period		(208,141)	(367,679)

		Six months ended	
	<i>NOTES</i>	30 June 2021	30 June 2020
		RMB'000	RMB'000
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(1,002)</u>	<u>35,632</u>
Other comprehensive (loss)/income for the period, net of income tax		<u>(1,002)</u>	<u>35,632</u>
Total comprehensive loss for the period		<u>(209,143)</u>	<u>(332,047)</u>
Loss for the period attributable to:			
– Owners of the Company		(204,303)	(339,100)
– Non-controlling interests		<u>(3,838)</u>	<u>(28,579)</u>
		<u>(208,141)</u>	<u>(367,679)</u>
Loss per share attributable to owners of the Company			
	6		
– Basic (RMB)		(0.040)	(0.067)
– Diluted (RMB)		<u>(0.040)</u>	<u>(0.067)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>NOTES</i>	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		938,667	938,054
Right-of-use assets		254,683	256,440
Interests in associates		5,093	5,601
Interests in joint ventures		243,726	237,906
Intangible assets		277,319	281,799
Goodwill		264,384	275,103
Trade and other receivables	7	31,494	35,014
Loan and interest receivables		16,325	16,346
		<u>2,031,691</u>	<u>2,046,263</u>
Current assets			
Inventories		89,650	93,399
Amounts due from joint ventures		205,726	203,728
Amounts due from an associate		63,989	98,632
Trade and other receivables	7	1,063,504	886,693
Loan and interest receivables		68,227	57,224
Financial assets measured at fair value through profit or loss (“FVTPL”)		567,598	692,345
Security account balances		24,686	18,608
Restricted bank balances		235,849	150,882
Bank balances and cash		185,833	207,451
		<u>2,505,062</u>	<u>2,408,962</u>
Total assets		<u>4,536,753</u>	<u>4,455,225</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	1,028	137
Borrowings		368,650	378,206
Lease liabilities		31,296	22,157
Deferred income		43,495	47,051
Contract liabilities		198,640	169,043
Long term payables		23,933	24,352
Deferred tax liabilities		85,186	88,853
		<u>752,228</u>	<u>729,799</u>

	<i>NOTES</i>	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Current liabilities			
Trade and other payables	8	1,119,636	960,380
Amount due to an associate		–	6,631
Amounts due to a joint venture		–	1,903
Borrowings		1,270,443	1,165,453
Convertible bonds		790,832	751,692
Lease liabilities		3,491	7,744
Income tax payable		96,660	93,002
Deferred income		7,599	7,594
Contract liabilities		119,814	179,652
Provisions		40,813	30,033
		<u>3,449,288</u>	<u>3,204,084</u>
Total liabilities		<u>4,201,516</u>	<u>3,933,883</u>
Net current liabilities		<u>(944,226)</u>	<u>(795,122)</u>
Total assets less current liabilities		<u>1,087,465</u>	<u>1,251,141</u>
Net assets		<u>335,237</u>	<u>521,342</u>
OWNERS' EQUITY			
Share capital	9	95,821	84,283
Reserves		(83,384)	109,014
Equity attributable to:			
Owners of the Company		12,437	193,297
Non-controlling interests		322,800	328,045
Total equity		<u>335,237</u>	<u>521,342</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION 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 unaudited condensed consolidated financial statements (alias “**interim financial information**”), the Company does not have a controlling party.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(a) Going concern

For the six months ended 30 June 2021, the Group reported a loss attributable to owners of the Company of approximately RMB204 million. As at 30 June 2021, the Group had accumulated losses of approximately RMB4,217 million and the Group’s current liabilities exceeded its current assets by approximately RMB944 million. As at the same date, the Group’s total borrowings and convertible bonds amounted to approximately RMB2,430 million, of which the total current borrowings and convertible bonds amounted to approximately RMB2,061 million, while its bank balances and cash amounted to approximately RMB186 million only.

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 30 June 2021, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB791 million and were classified as current liabilities. The Group is in active negotiation with the holder of the convertible bonds for the restructuring of or extension for repayment of outstanding 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 restructuring 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, etc;
- (iii) The Group has been actively communicating with its existing lenders of notes and debentures and other borrowings, which will be due within twelve months from the date of financial position, to extend the dates of repayment upon maturity, and/or to introduce debt capitalisation plans to these lenders;

- (iv) The Group is actively looking for potential buyers for its non-core and non-operating assets so as to increase liquidity efficiency, if necessary; and
- (v) The Group continues to strengthen the operation and management of each business unit to increase operational efficiency and take active measures to control administrative costs through various channels including human resources and office space optimisation.

The Directors have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 30 June 2021. 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 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed 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 its 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) To successfully negotiate with the holder of the convertible bonds for the restructuring 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 persuade the lenders of notes and debentures and other borrowings to extend repayment terms and accept the debt capitalisation plan at a conversion price favourable to the Group;
- (iv) To successfully locate potential interested buyers at a price favourable to the Group and being able to dispose at the right time to improve liquidity position of the Group; and
- (v) To successfully manage the Group's operations from time to time to generate sufficient cash and to maintain the efficiency of operation of the Group at an optimal level while lowering the administrative costs.

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. The effects of these adjustments have not been reflected in these interim financial information.

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 Hong Kong Financial Reporting Standards (“HKFRSs”) and new interpretation issued by the HKICPA for the first time in the current period:

- Amendments to HKFRS 16
- Interest rate benchmark reform – phase 2 on HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16 (Amendments)

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 the accounting period commencing on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 1 June 2021	1 April 2021
Annual Improvements Project (Amendments)	Annual improvements 2018–2020 cycle	1 January 2022
Accounting Guideline 5 (Revised)	Revised accounting guideline 5 — Merger accounting for common control combination	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors have assessed the financial impact of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline on the Group. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

3. REVENUE AND SEGMENT INFORMATION

(a) Products and services within each operating segment

The segment information reported was determined by the types of products/services and the types of customers to which the products are sold/services are provided, which is consistent with the internal information that are regularly reviewed by the executive Directors, who are the chief operating decision makers (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 absorbers 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 listing sponsorship, 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	
	Six months ended		Six months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automotive parts business	452,534	396,790	54,058	27,705
Education operation business	246,735	190,142	106,234	89,500
Financial services business	10,865	16,474	10,352	14,447
Total segment	<u>710,134</u>	<u>603,406</u>	<u>170,644</u>	<u>131,652</u>
Other income and expenses			35,166	24,985
Other losses, net			(82,962)	(141,156)
ECL, net of reversal			(12,852)	(83,334)
Impairment losses on goodwill, tangible and intangible assets			(10,719)	(23,602)
Selling and distribution expenses			(41,878)	(39,977)
R&D expenditure			(26,878)	(16,697)
Administrative expenses			(146,220)	(119,769)
Operating losses			(115,699)	(267,898)
Finance costs			(103,446)	(125,760)
Share of results of associates			285	(2,374)
Share of results of joint ventures			7,092	30,880
Loss before income tax			<u>(211,768)</u>	<u>(365,152)</u>

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 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).

For the six months ended 30 June 2021, approximately 98% (six months ended 30 June 2020: approximately 96%) of the Group’s revenue from external customers is derived from the PRC. As at 30 June 2021, approximately 99% (31 December 2020: approximately 99%) of the Group’s property, plant and equipment and right-of-use assets are located in the PRC.

4. TAXATION

	Six months ended	
	30 June 2021	30 June 2020
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax:		
– PRC enterprise income tax (“ EIT ”)	200	3,222
(Over)/under-provision in prior period:		
– Hong Kong	(160)	(303)
– PRC EIT	–	1,794
Deferred income tax	<u>(3,667)</u>	<u>(2,186)</u>
	<u>(3,627)</u>	<u>2,527</u>

5. DIVIDENDS

The Directors have determined that no interim dividend will be declared in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). No dividends has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil), nor has any dividend been proposed since the end of the reporting period.

6. 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 during the period.

	Six months ended	
	30 June 2021	30 June 2020
Loss attributable to owners of the Company (<i>RMB'000</i>)	(204,303)	(339,100)
Weighted average number of ordinary shares in issue	5,065,223,000	5,026,892,000
Loss per share (<i>RMB</i>)	(0.040)	(0.067)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all potentially dilutive ordinary shares. The Company has one (six months ended 30 June 2020: one) category of potentially dilutive ordinary shares: share options (six months ended 30 June 2020: share options). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months periods ended 30 June 2021 and 2020, diluted loss per share is the same as the basic loss per share as the exercise of potential ordinary shares in relation to the outstanding share options would have anti-dilutive effects to the basic loss per share.

7. TRADE AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	775,102	492,256
Less: allowance for trade receivables	(29,710)	(32,494)
	745,392	459,762
Bills receivables	17,587	94,105
Receivables from non-controlling shareholders of Xishan Schools	96,645	95,769
Rental deposits, prepayments and other receivables	250,515	282,342
Receivables from disposal of Stirling Coleman	19,609	20,135
Less: allowance for other receivables	(102,860)	(110,410)
	1,026,888	841,703
Value-added tax recoverable	301	199
Prepayment to a supplier of automotive parts	44,497	54,239
Advances to suppliers	23,312	25,566
	1,094,998	921,707
Less: amounts shown under non-current assets	(31,494)	(35,014)
Total trade and other receivables shown under current assets	1,063,504	886,693

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:

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	599,949	327,924
91 to 180 days	58,498	122,868
181 to 365 days	78,645	4,230
Over 365 days	8,300	4,740
	<u>745,392</u>	<u>459,762</u>

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

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
31 to 60 days	–	1,423
61 to 90 days	700	785
91 to 120 days	80	33,342
121 to 150 days	497	26,937
151 to 180 days	15,090	31,618
181 to 365 days	1,220	–
	<u>17,587</u>	<u>94,105</u>

8. TRADE AND OTHER PAYABLES

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	560,425	506,067
Bills payables	200,240	77,350
	<u>760,665</u>	<u>583,417</u>
Accruals and other payables	135,995	160,863
Customer deposits for securities trading	64,156	58,273
Other tax payables	35,965	35,816
Payroll and welfare payables	123,883	122,148
	<u>1,120,664</u>	<u>960,517</u>
Less: amount shown under non-current liabilities	<u>(1,028)</u>	<u>(137)</u>
Total trade and other payables shown under current liabilities	<u>1,119,636</u>	<u>960,380</u>

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

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	414,967	388,404
91 to 180 days	74,661	67,222
181 to 365 days	22,155	15,244
Over 365 days	48,642	35,197
	<hr/> 560,425 <hr/>	<hr/> 506,067 <hr/>

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

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	18,390	9,900
31 to 60 days	37,480	4,000
61 to 90 days	19,560	12,450
91 to 180 days	122,170	38,000
Over 180 days	2,640	13,000
	<hr/> 200,240 <hr/>	<hr/> 77,350 <hr/>

9. SHARE CAPITAL

	Number of shares <i>(in thousand)</i>	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.02 each		
Authorised:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	50,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020, 30 June 2020, and 1 January 2021	5,026,892	100,538
Issuance of shares on top-up subscription (<i>note i</i>)	227,000	4,540
Issuance of shares on debt capitalisation (<i>note ii</i>)	466,800	9,336
At 30 June 2021	5,720,692	114,414
	30 June 2021	31 December 2020
	RMB'000	RMB'000
Share capital presented in the condensed consolidated statement of financial position	95,821	84,283

Notes:

- i. In June 2021, Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Dr. Wilson Sea, the chairman of the Company and executive Director, placed a total of 227,000,000 Shares at HK\$0.045 per Share to no fewer than six independent placees. Furthermore, a total of 227,000,000 top-up subscription Shares were subscribed by Wealth Max Holdings Limited at the price of HK\$0.045 per Share. The Company received total net proceeds of approximately HK\$9,715,000.
- ii. In June 2021, the Company entered into settlement agreements with certain creditors. Pursuant to such agreements, the Company allotted and issued an aggregate of 466,800,000 consideration Shares to the creditors at HK\$0.045 per Share on 21 June 2021. The subscription amount payable by the creditors under the agreement shall be satisfied by capitalising the indebted amount due from the Company.

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 and private equity fund management. 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 “an influential financial services group focusing on education”.

BUSINESS REVIEW

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 “Three-child Policy” and its supporting measures, 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 view of this, the Group actively seized development opportunities in the education industry. Committed 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” and 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 and international education. It also promoted project synergy and integration in respect of curriculums, teachers, brands and operation, optimised its allocation of educational resources, and explored the potentiality of education assets to improve the quality of education and teaching.

In the first half of 2021, epidemic containment measures have gradually become part of our daily lives amid the still-raging COVID-19 pandemic around the world and sporadic cases across the country. To ensure the safety and health of teachers and students, the Group strictly complied with the “Technical Program for the Prevention and Control of COVID-19 Outbreak in Primary and Secondary Schools during Spring Semester (Third Edition)” (《中小學校春季學期新冠肺炎疫情防控技術方案(第三版)》) promulgated by the National Health Commission and the Ministry of Education and the measures and requirements under the local government’s long-term anti-epidemic policies. In particular, it strengthened measures at campuses for better environmental health, asked teachers and students to avoid unnecessary outings, and rolled out vaccination program for all staff.

As the epidemic response efforts continued, the Group put forth efforts to strengthen the operation and management of its invested education projects, cultivated students’ core literacy, and boosted teaching quality effectively. With a focus on “Teaching and Performance”, the Group introduced outstanding teachers and high-quality courseware to enrich teacher training. Among others, it paired up experienced and fresh teachers to help each other, in order to exert the resource advantages of “Pass, Help and Lead (傳、幫、帶)” of pillar teachers. The Group proactively organised activities such as “Indigo Blue Project* (青藍工程)” and “Class Observation and Evaluation”, coupled with a variety of teaching and research approaches to prepare, compete on and hone their lessons at multiple levels. At the same time, the Group vigorously reformed the performance appraisal of teachers and established a promotion system for them to promote the comprehensive teaching capabilities of the teaching team. The Group also actively explored digital teaching by developing the “Smart Classroom” for “one-to-one” personalized and precise teaching, aiming to provide high quality, high standard and multi-level teaching services for students.

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 competition results. Following the certification and naming of the kindergarten of Fuqing Xishan School* (福清西山學校) (“**Fuqing Xishan**”), as a “Featured National Football Kindergarten” by the Ministry of Education in August 2019, the kindergarten of Jiangxi Xishan School* (江西省西山學校) (“**Jiangxi Xishan**”) was certificated and named as a “Featured National Football Kindergarten” by the Ministry of Education in January 2021. Students from Jiangxi Xishan won the first prize in the Fourth Youth Football Club Tournament of Jiangxi Province * (第四屆江西省青少年足球俱樂部賽). Students from Fuqing Xishan won the championship in Group A in the Fifth “Friendship Cup” Youth Football Game of Fujian Province * (第五屆「友誼杯」福建省青少年足球賽) in 2021 and the championship in the Primary School Boys Group B and Junior Girls Group in the Champion Cup Competition (Fuzhou Region) of the National Youth School Football League* (全國青少年校園足球聯賽(福州賽區)冠軍杯比賽) in 2021. They also topped the group scoring list in the 2021 Fuzhou Children’s Wushu Routine Championships (Traditional School Division) * (二零二一年福州市少年兒童武術套路錦標賽(傳統校組)), and the first place in the open junior group pompom optional routines and the open junior group compulsory routines of the 2020-2021 National Cheerleading League (Fuzhou Station)* (2020-2021年全國啦啦操聯賽(福州站)).

Financial Services Business

The Group had obtained diversified financial service licences and established a consummate financial services system to provide various 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 (the “**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 (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, has been registered as a private equity fund manager with the Asset Management Association of China, which permits it to initiate establishment of or be entrusted for the management of private equity investment funds and venture capital funds. 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 (the “**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 Listing Rules.

During the period under review, the Group’s financial services business actively responded to the epidemic to fully protect both the physical and mental health and the safety of its employees, and overcame the impact on expanding markets and developing customers due to restriction measures under the prevention and control of the epidemic to ensure the stable and orderly operation of various businesses. The Group had paid high attention to market dynamics and kept abreast of the market development trends. It strengthened communication with the existing customers, helped them capture investment opportunities and participate in subscriptions of IPO and investment in the secondary market, and actively expanded potential customer bases in order to obtain more business opportunities. FC International Finance acted as a 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, and an independent financial adviser to the independent board committee and the independent shareholders of China ITS (Holdings) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1900) in relation to a connected transaction.

Automotive Parts Business

Thanks to the steady economic recovery and rapid rebound in consumer demand, as well as continued introduction of energy-saving and environmental protection policies nationwide, the overall sales volume of automobiles in the PRC kept growing. According to the statistics of the China Association of Automobile Manufacturers, during the first half of 2021, approximately 12,569,000 automobiles were produced, up by approximately 24.2% year-on-year, while the sales of automobiles was approximately 12,891,000 units, representing a year-on-year increase of approximately 25.6%.

The Group's automotive parts business juggled the prevention and control of the epidemic as well as production and operation. By adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", it exerted its existing advantages on brands and technologies, effectively controlled the cost of production and operation and ramped up the level of product R&D and quality control to 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. While consolidating its existing markets, the Group deeply explored the potentiality of the market in order to develop new markets. During the period under review, having passed the examination of PSA, a French automobile manufacturer, the Group has become the global supplier for absorbers of Stellantis Group (formed by the merger of two major corporate groups, PSA Group and FCA Group) and obtained development licenses and sample orders for six models of three types of automobiles, including Iconic 208. The Group received bulk order from SAIC Motor Corporation Limited for its self-developed Adaptive Damping System (ADS).

The Group also proactively fulfilled its corporate social responsibility by donating to Xichuan Red Cross* (浙川縣紅十字會) for reconstruction in the wake of heavy rain and flooding in July 2021, following the donation of special funds to Xichuan Red Cross for the prevention of the COVID-19 epidemic in 2020.

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. 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.

The Group commits to its original education thoughts of “Whoever you are, you have a right to learn” and “Everyone can become a successful man”. With the mission of “Finance Empowers Education, Education Lights Up Future”, the Group incorporates advanced educational concepts and methods through its international insight, allocates eastern and western quality educational resources, 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.

Looking forward, 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. It will proceed with the task of “Developing morality and shaping character”, innovate educational concepts and methods, explore and attempt future forms of education in order to promote students’ overall development of moral, intellectual, physical, aesthetic and labour. Alongside online and offline teaching, the Group will also 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. The Group will increase efforts on teacher training and by vigorously introducing talented teachers and subject leaders, establishing a mechanism and platform for the selection and cultivation of talented teachers on campus, and building a team of outstanding teachers fanning out from point to area, it will promote the full development and the professional growth of teachers. In addition, the Group will create quality literacy education focusing on STEAM (Science, Technology, Engineering, Arts and Mathematics) education, and adhere to featured education such as football, martial arts, physical education and fine arts to establish featured and reputable schools. Leveraging on the brand and market influence of the PGA (Project of Global Access) international high school curriculum, the Group will establish a new type of 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 integration of industry and education.

Financial Services Business

Thanks to the operational innovation and institutional reform of the Stock Exchange, Hong Kong’s new stock market performed brilliantly. A total amount of approximately HK\$210.4 billion has been raised from IPO on the Stock Exchange in the first half of 2021, breaking historical high for the same period and representing an increase of approximately 127% as compared with the corresponding period of 2020, which made the Stock Exchange the third largest fund-raising place in the world. The return of China concept stocks and the listing of new economy companies and biotechnology companies in Hong Kong are expected to remain active, further contributing to the diversification of Hong Kong’s capital markets. Trading has been increasingly active and transaction size has been on the rise, by the growing maturity of interconnection mechanisms such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect. In December 2020 and February 2021, the stocks of Hong Kong-listed biotechnology companies and stocks on the Shanghai Science and Technology Innovation Board were included in the scope of the Shanghai and Shenzhen-Hong Kong Stock Connects, injecting new vitality into the Mainland China and Hong Kong capital markets. As to Bond Connect, following the steady operation of the “Northbound Trading Link” for over four years, the “Southbound Trading Link” is expected to be implemented, providing a gateway for mainland investors to invest in offshore high-yield US dollar bonds and further promoting the interconnection between Hong Kong and mainland markets.

Looking ahead to the second half of this year, the control of the epidemic is overall positive and COVID-19 vaccination has been rolled out in a number of countries. 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. It will take time for the global economy to fully recover. In the post-epidemic era, uncertainties and risks such as global geopolitics, the US-China rivalry, SARS-CoV-2 mutations and vaccine protection effectiveness, will increase. The financial markets around the world will face various pressures and challenges.

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. Leveraging on its diversified financial service licences and consummate financial service system, 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 innovate and upgrade its product and service systems, strengthen communication with existing customers and develop new customers, and provide diversified and personalized professional financial services to its customers.

Automotive Parts Business

With the growth of China's national economy and the implementation of the construction of a moderately prosperous society, the residents' income continues to rise and consumption keeps upgrading. Therefore, there is still more room for growth in the number of vehicles owned per 1,000 people. Meanwhile, consumers are expecting higher car quality and automobile models are upgrading more rapidly. China's passenger car market has entered a stage of diversified and personalised development. Since the Office of the State Council issued the "Development Plan for New Energy Vehicle Industry (2021-2035)" (《新能源汽车产业规划(2021-2035年)》) in November 2020, which states that by 2025, the sales volume of new energy vehicles shall reach approximately 20% of the total new vehicles sold, capitals jostle to enter the new energy vehicle industry. Looking into the future, the automobile and automotive parts industries will face ever more opportunities and 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 keep on optimising and improving its product mix and customer structure, and strengthen existing markets while developing emerging markets such as the aftersales market, the international market and the rail transit market. The Group regards the development of R&D capability as its core work. It implements the technical management concept of "Utilisation, R&D and Reserve" and increases its investment in R&D centres in areas such as Italy, Shanghai and Nanyang, in order to boost the reserve, and market promotion and application of new technologies.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's overall revenue increased by approximately 17.7% to approximately RMB710.1 million from approximately RMB603.4 million in the corresponding period of 2020, of which revenue from automotive parts business increased by approximately 14.0% to approximately RMB452.5 million from approximately RMB396.8 million in the corresponding period of 2020, revenue from financial services business decreased by approximately 33.9% to approximately RMB10.9 million from approximately RMB16.5 million in the corresponding period of 2020, and revenue from education operation business increased by approximately 29.8% to approximately RMB246.7 million from approximately RMB190.1 million in the corresponding period of 2020. The increase in revenue was mainly due to the rebound of performance of automotive parts business and education operation business in the first half of 2021 as compared to the first half of 2020 which was impacted by COVID-19 epidemic.

Cost of sales/services

For the six months ended 30 June 2021, the Group's overall cost of sales/services increased by approximately 14.4% to approximately RMB539.5 million from approximately RMB471.7 million in the corresponding period of 2020, of which cost of sales from automotive parts business increased by approximately 8.0% to approximately RMB398.5 million from approximately RMB369.1 million in the corresponding period of 2020, cost of services from financial services business decreased by approximately 75.0% to approximately RMB0.5 million from approximately RMB2.0 million in the corresponding period of 2020, and cost of services from education operation business increased by approximately 39.7% to approximately RMB140.5 million from approximately RMB100.6 million in the corresponding period of 2020. The increase in cost of sales/services was mainly due to the recovery of automotive parts business and education operation business in the first half of 2021 as compared to the first half of 2020 which was impacted by COVID-19 epidemic.

Gross profit

For the six months ended 30 June 2021, the Group's overall gross profit increased by approximately 29.5% to approximately RMB170.6 million from approximately RMB131.7 million in the corresponding period of 2020, of which gross profit from automotive parts business increased by approximately 94.9% to approximately RMB54.0 million from approximately RMB27.7 million in the corresponding period of 2020, gross profit from financial services business decreased by approximately 27.8% to approximately RMB10.4 million from approximately RMB14.4 million in the corresponding period of 2020, and gross profit from education operation business increased by approximately 18.7% to approximately RMB106.2 million from approximately RMB89.5 million in the corresponding period of 2020. The increase in gross profit was mainly due to the increase in gross profit from automotive parts business.

Gross profit margin

For the six months ended 30 June 2021, the Group's overall gross profit margin increased by approximately 2.2 percentage points to approximately 24.0% from approximately 21.8% in the corresponding period of 2020, of which gross profit margin of automotive parts business increased by approximately 4.9 percentage points to approximately 11.9% from approximately 7.0% in the corresponding period of 2020, gross profit margin of financial services business increased by approximately 8.1 percentage points to approximately 95.4% from approximately 87.3% in the corresponding period of 2020, and gross profit margin of education operation business decreased by approximately 4.1 percentage points to approximately 43.0% from approximately 47.1% in the corresponding period of 2020. The increase in gross profit margin was mainly due to the increase in gross profit margin from automotive parts business.

Other income and expenses

For the six months ended 30 June 2021, the Group recorded other income amounted to approximately RMB35.2 million, representing an increase of approximately RMB10.2 million from approximately RMB25.0 million in the corresponding period of 2020. Such increase was mainly due to the increase in government grants.

Other losses

For the six months ended 30 June 2021, the Group recorded other losses of approximately RMB83.0 million, representing a decrease of approximately RMB58.2 million from approximately RMB141.2 million in the corresponding period of 2020. Such decrease was mainly due to the exchange gain arising from the appreciation of RMB in the first half of 2021 as compared with exchange loss in the corresponding period of 2020.

Expected credit losses

The Group recognised the ECL 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 six months ended 30 June 2021, the Group's provision on ECL amounted to approximately RMB12.9 million, representing a decrease of approximately RMB70.4 million from approximately RMB83.3 million in the corresponding period of 2020.

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 six months ended 30 June 2021, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB10.7 million, as compared with that of approximately RMB23.6 million in the corresponding period of 2020. Such losses represented the impairment of goodwill of Edukeys Group.

Selling and distribution expenses

For the six months ended 30 June 2021, the Group's selling and distribution expenses increased by approximately 4.8% to approximately RMB41.9 million from approximately RMB40.0 million in the corresponding period of 2020.

R&D expenditure

For the six months ended 30 June 2021, the Group's R&D expenditure increased by approximately 61.1% to approximately RMB26.9 million from approximately RMB16.7 million in the corresponding period of 2020. Such increase was mainly due to the increase in materials costs and staff costs incurred in the R&D centers of automotive parts business.

Administrative expenses

For the six months ended 30 June 2021, the Group's administrative expenses increased by approximately 22.0% to approximately RMB146.2 million from approximately RMB119.8 million in the corresponding period of 2020. Such increase was mainly due to the relatively lower administrative expenses of education operation business in the first half of 2020 which was impacted by the postponement of schools caused by the Covid-19 epidemic.

Finance costs

For the six months ended 30 June 2021, the Group's finance costs decreased by approximately 17.8% to approximately RMB103.4 million from approximately RMB125.8 million in the corresponding period of 2020. Such decrease was mainly due to the decrease in the Group's borrowings as compared with that of the corresponding period of 2020.

Taxation

For the six months ended 30 June 2021, the Group's taxation was the income tax credit of approximately RMB3.6 million as compared with the income tax expense of approximately RMB2.5 million in the corresponding period of 2020. Such change was mainly due to the decrease in the PRC current income tax expense and the increase in deferred income tax.

Loss for the period

For the six months ended 30 June 2021, the Group recorded a loss of approximately RMB208.1 million, representing a decrease of approximately 43.4% as compared with a loss of approximately RMB367.7 million in the corresponding period of 2020. Such loss was mainly due to the unrealised (non-cash) loss arising from the unfavourable fair value changes of the financial assets measured at FVTPL and finance costs.

Loss per Share

For the six months ended 30 June 2021, the Group's basic and diluted loss per Share amounted to approximately RMB0.040, while the basic and diluted loss per Share amounted to approximately RMB0.067 in the corresponding period of 2020.

WORKING CAPITAL, 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 to future challenges. As at 30 June 2021, the Group's net current liabilities amounted to approximately RMB944.2 million, representing an increase of approximately 18.8% as compared with that of approximately RMB795.1 million as at 31 December 2020. Such increase was mainly due to the increase in short-term borrowings.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK\$. As at 30 June 2021, the Group's cash and bank balances amounted to approximately RMB185.8 million, representing a decrease of approximately 10.5% as compared with that of approximately RMB207.5 million as at 31 December 2020.

The borrowings of the Group are denominated in RMB, HK\$ or US\$. The Group regularly reviews and monitors the borrowings level. As at 30 June 2021, the Group's total borrowings amounted to approximately RMB1,639.1 million, representing an increase of approximately 6.2% as compared with that of approximately RMB1,543.7 million as at 31 December 2020. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB965.6 million, representing an increase of approximately 24.2% as compared with that of approximately RMB777.4 million as at 31 December 2020; (ii) borrowings due over one year but within two years amounted to approximately RMB297.3 million, representing a decrease of approximately 22.1% as compared with that of approximately RMB381.7 million as at 31 December 2020; (iii) borrowings due over two years but within five years amounted to approximately RMB310.5 million, representing an increase of approximately 18.6% as compared with that of approximately RMB261.7 million as at 31 December 2020; and (iv) borrowings due over five years amounted to approximately RMB65.7 million, representing a decrease of approximately 46.5% as compared with that of approximately RMB122.9 million as at 31 December 2020.

As at 30 June 2021, the interests of approximately RMB1,292.8 million of the Group's total borrowings (31 December 2020: approximately RMB1,303.7 million) are calculated at fixed interest rates.

As at 30 June 2021, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 40.5% (31 December 2020: approximately 36.4%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 30 June 2021, the Group's inventories amounted to approximately RMB89.7 million, representing a decrease of approximately 4.0% as compared with that of approximately RMB93.4 million as at 31 December 2020.

The Group regularly reviews and monitors the level of trade receivables. As at 30 June 2021, the Group's trade receivables amounted to approximately RMB745.4 million, representing an increase of approximately 51.4% as compared with that of approximately RMB492.3 million as at 31 December 2020. 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 30 June 2021, the Group's trade payables amounted to approximately RMB560.4 million, representing an increase of approximately 10.7% as compared with that of approximately RMB506.1 million as at 31 December 2020. Such increase was mainly due to the increase 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 and Shanghai Stock Exchange as well as investments in unlisted entities. As at 30 June 2021, the fair value of such investments was approximately RMB567.6 million (31 December 2020: approximately RMB692.3 million), which was equivalent to approximately 12.5% (31 December 2020: approximately 15.5%) of the total assets of the Group as at 30 June 2021. For the six months ended 30 June 2021, the fair value changes of financial assets measured at FVTPL of the Group was a loss of approximately RMB102.0 million (six months ended 30 June 2020: loss of approximately RMB45.8 million).

The Group's interests in joint ventures represent the investments in joint ventures. As at 30 June 2021, the carrying amount of such investments was approximately RMB243.7 million (31 December 2020: approximately RMB237.9 million), which was equivalent to approximately 5.4% (31 December 2020: approximately 5.3%) of the total assets of the Group as at 30 June 2021. For the six months ended 30 June 2021, share of results of joint ventures of the Group recorded a gain of approximately RMB7.1 million (six months ended 30 June 2020: a gain of approximately RMB30.9 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 trade friction, interest rate fluctuations, COVID-19 epidemic 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 six months ended 30 June 2021, the Group's capital expenditures were approximately RMB44.9 million (six months ended 30 June 2020: approximately RMB12.9 million), which were primarily the expenses of automotive parts business and education operation business in respect of additions to softwares, properties, plants and equipment.

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

As at 30 June 2021, the Group's capital commitments to additional properties, plants and equipment amounted to approximately RMB20.4 million (31 December 2020: approximately RMB7.1 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

PLEDGE OF ASSETS

As at 30 June 2021, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB351.2 million (31 December 2020: approximately RMB420.7 million) and the Group's land, property and plant with a carrying amount of approximately RMB102.2 million (31 December 2020: approximately RMB150.9 million) have been pledged to acquire borrowings for the Group.

As at 30 June 2021, the Group's restricted bank balances with a carrying amount of approximately RMB235.8 million (31 December 2020: approximately RMB150.9 million) was used for customer deposits for trading securities and pledges for bills payables with a maturity within one year issued to suppliers.

HUMAN RESOURCES

As at 30 June 2021, the Group had 3,417 employees (31 December 2020: 3,611 employees). For the six months ended 30 June 2021, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB168.3 million (six months ended 30 June 2020: approximately RMB163.2 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. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external

training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution. 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 arise.

FOREIGN EXCHANGE RISK

The interim financial information of the Group are presented in RMB. The Group is exposed to foreign exchange risk on financial assets and liabilities denominated in currencies other than the functional currencies of the entities in the Group. Primarily, the Group is exposed to foreign exchange risk for certain financial assets and financial liabilities denominated in HK\$ and US\$.

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

For the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2021, the Company had complied with the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules, except for the code provision C.1.3, for which the Company issued an announcement dated 8 June 2021 supplementing relevant disclosure in the 2020 annual report with more details, so as to enhance the corporate governance standard of the Company. For the six months ended 30 June 2021, there had been no material changes of the corporate governance practices as compared with the information disclosed in the 2020 annual report of the Company.

Save as mentioned above, 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 six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL 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 the Directors had complied with the required standards set out in the Model Code for the six months ended 30 June 2021.

COMPETITION AND CONFLICTS OF INTEREST

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

SHARE OPTION SCHEMES

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 2011**”) was approved and adopted by the Company. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 9 June 2021, the Share Option Scheme 2011 was terminated and a new share option scheme (the “**Share Option Scheme 2021**”) was approved and adopted by the Company. The Share Option Scheme 2021 will remain in force for a period of 10 years from the date of its adoption.

For the six months ended 30 June 2021, no share options were granted or agreed to be granted under the Share Option Scheme 2011 or the Share Option Scheme 2021 by the Company. As at 30 June 2021, 50,000,000 share options granted under the Share Option Scheme 2011 were outstanding and no share options under the Share Option Scheme 2021 were outstanding. The number of share options granted and remaining outstanding under the Share Option Scheme 2011 was adjusted to 10,000,000 upon the share consolidation (as detailed in the paragraph headed “**SUBSEQUENT EVENT – Share Consolidation and Change in Board Lot Size**” of this announcement) becoming effective on 20 August 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, 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 six months ended 30 June 2021, 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 18 October 2021. For further information, please refer to the announcements of the Company dated 30 September 2020, 23 December 2020, 28 December 2020, 8 February 2021, 16 April 2021 and 14 July 2021.

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 (the "**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 had been adjourned sine die with liberty to either the Defendant or the Company to restore the proceedings. For further information, please refer to the Company's announcements dated 28 December 2020, 11 February 2021 and 12 April 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

AUDITOR

The Group's unaudited condensed consolidated financial statements and the interim results for the six months ended 30 June 2021 have been reviewed by Linksfield CPA Limited, the auditor of the Company (the "**Auditor**"). It does not express a conclusion on these unaudited condensed consolidated financial statements. An extract of the review report is set out in the section headed "EXTRACT OF THE REVIEW REPORT" below.

EXTRACT OF THE REVIEW REPORT

The below sections set out an extract of the report by the Auditor, regarding the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021:

DISCLAIMER OF CONCLUSION

We do not express a conclusion on the interim financial information of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information as described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form a conclusion on the interim financial information.

Basis for Disclaimer of Conclusion

Multiple Uncertainties Relating to Going Concern

As described in Note 2.1.1 to the interim financial information, the Group reported a loss attributable to owners of the Company of approximately RMB204 million for the six-month period ended 30 June 2021. As at 30 June 2021, the Group had accumulated losses of approximately RMB4,217 million and the Group's current liabilities exceeded its current assets by approximately RMB944 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,430 million, of which the total current borrowings and convertible bonds amounted to approximately RMB2,061 million, while its bank balances and cash amounted to approximately RMB186 million only. In addition, 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 30 June 2021, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB791 million and were classified as current liabilities. These conditions, together with other matters described in Note 2.1.1 to the interim financial information, 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 CONCLUSION

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 restructuring 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, etc. During the six months ended 30 June 2021, the Company had issued 227,000,000 new Shares with net proceeds of approximately HK\$10 million;
- (iii) The Group has been actively communicating with its existing lenders of notes and debentures and other borrowings which will be due within twelve months from the date of financial position, to extend the dates of repayment upon maturity, and/or to introduce debt capitalisation plans to these lenders. During the six months ended 30 June 2021, the Company had entered into settlement agreements with certain creditors to issue an aggregate of 466,800,000 consideration Shares to these creditors to settle debts of approximately HK\$21 million;
- (iv) The Group is actively looking for potential buyers for its non-core assets and non-operating assets so as to increase liquidity efficiency, if necessary; and

- (v) The Group continues to strengthen the operation and management of each business unit to increase operational efficiency and take active measures to control administrative costs through various channels including human resources and office space optimisation.

The Directors have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 30 June 2021. 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 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed 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 and understood its consideration in arriving the disclaimer of conclusion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF CONCLUSION

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 independent non-executive Directors. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and the interim results for the six months ended 30 June 2021. They expressed no disagreement with the accounting policies and principles adopted by the Group.

The Audit Committee had reviewed the basis for disclaimer of conclusion, the Company's position concerning the basis for disclaimer of conclusion and measures taken by the Company for addressing the basis for disclaimer of conclusion. The Audit Committee agreed with the Company's position. Moreover, the Audit Committee requested the Company to take all necessary actions to address the basis for disclaimer of conclusion to procure no such disclaimer of conclusion to be made in the next financial year. The Audit Committee had also discussed with the Auditor 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 conclusion.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report of the Company for the six months ended 30 June 2021, in both English and Chinese versions, will be dispatched to the Shareholders according 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

Share Consolidation and Change in Board Lot Size

As disclosed in the Company's announcement dated 9 July 2021, the Board proposed that (i) every five issued and unissued existing Shares of par value of HK\$0.02 each in the share capital of the Company be consolidated into one consolidated Share of par value of HK\$0.10 each; and (ii) conditional upon the share consolidation becoming effective, the board lot size for trading on the Stock Exchange be changed from 2,000 existing Shares to 10,000 consolidated Shares per board lot. An ordinary resolution to approve the share consolidation had been passed by the Shareholders at the extraordinary general meeting of the Company held on 18 August 2021. The share consolidation and the change in board lot size had become effective on 20 August 2021. Upon the share consolidation becoming effective, pursuant to the terms and conditions of the Share Option Scheme 2011, the exercise price and the number of Shares to be issued upon full exercise of the outstanding share options granted under the Share Option Scheme 2011 and maximum number of Shares which may be issued pursuant to the Share Option Scheme 2021 were adjusted. For further information, please refer to the Company's announcements dated 9 July 2021 and 18 August 2021 and the Company's circular dated 27 July 2021.

APPRECIATION

The Group would like to express its sincere appreciation for the unremitting 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 August 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*