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首控集团
CHINA FIRST CAPITAL GROUP LIMITED

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 2021

HIGHLIGHTS

RMB' million	**2021**	**2020 (restated)**	**Increase**
Revenue	**1,093.8**	1,030.0	6.2%
Loss for the year attributable to owners of the Company	**(968.2)**	(373.7)	159.1%
Basic loss per Share *(Note a)*	**RMB(0.88)**	RMB(0.37)	137.8%

RMB' million	**As at 31 December 2021**	**As at 31 December 2020**	**Decrease**
Total assets	**3,056.2**	4,455.2	(31.4%)
(Deficit in equity)/Equity attributable to owners of the Company	**(858.7)**	193.3	N/A
Net (liability)/asset value per Share *(Note b)*	**RMB(0.64)**	RMB0.19	N/A

Notes:

a. The weighted average number of ordinary shares of the Company (the "**Shares**") for the purpose of calculating the basic loss per Share for the years ended 31 December 2021 and 2020 has been adjusted with consideration of the effect of the Company's share consolidation (the "**Share Consolidation**") which became effective on 20 August 2021.

b. Net liability/asset value per Share is arrived at by dividing the deficit in equity/equity attributable to owners of the Company by the number of issued Shares as at the end of the year. The number of issued Shares for the purpose of calculating the net asset value per Share as at 31 December 2020 has been adjusted with consideration of the effect of the Share Consolidation.

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 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	**2021**	2020
		RMB'000	*RMB'000*
			(restated)
Continuing operations			
Revenue	*3*	**1,093,830**	1,029,966
Cost of sales/services		**(923,539)**	(849,160)
Gross profit		**170,291**	180,806
Other income and expenses		**38,579**	41,519
Other losses, net	*4*	**(173,351)**	(17,522)
Expected credit losses ("**ECL**"), net of reversal		**(18,919)**	(103,176)
Impairment losses on goodwill, tangible and intangible assets		**(379,103)**	(48,467)
Impairment losses on interests in joint ventures		**(21,232)**	(15,183)
Selling and distribution expenses		**(114,636)**	(42,357)
Research and development ("**R&D**") expenditure		**(59,903)**	(53,992)
Administrative expenses		**(138,086)**	(197,320)
Operating losses		**(696,360)**	(255,692)
Finance costs		**(197,445)**	(206,821)
Share of results of associates		**(105)**	(1,345)
Share of results of joint ventures		**6,601**	10,856
Loss before income tax		**(887,309)**	(453,002)
Income tax credit	*5*	**1,711**	6,090
Loss for the year from continuing operations		**(885,598)**	(446,912)
Discontinued operations			
(Loss)/profit for the period/year from discontinuing operations, net of tax	*12*	**(216,916)**	44,684
Loss for the year		**(1,102,514)**	(402,228)

	NOTES	2021 RMB'000	2020 RMB'000 (restated)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(126,883)**	(99,754)
Other comprehensive loss for the year, net of income tax		**(126,883)**	(99,754)
Total comprehensive loss for the year		**(1,229,397)**	(501,982)
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(798,909)**	(397,572)
– Discontinuing operations		**(169,324)**	23,848
		(968,233)	(373,724)
Non-controlling interests			
– Continuing operations		**(86,688)**	(49,340)
– Discontinuing operations		**(47,593)**	20,836
		(134,281)	(28,504)
		(1,102,514)	(402,228)
Loss per Share attributable to owners of the Company (RMB)	7		
Basis (loss)/earnings per Share			
– Continuing operations		**(0.73)**	(0.39)
– Discontinuing operations		**(0.15)**	0.02
		(0.88)	(0.37)
Diluted (loss)/earnings per Share			
– Continuing operations		**(0.73)**	(0.39)
– Discontinuing operations		**(0.15)**	0.02
		(0.88)	(0.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**485,158**	938,054
Right-of-use assets		**131,501**	256,440
Interests in associates		**4,158**	5,601
Interests in joint ventures		**224,080**	237,906
Intangible assets		**151,334**	281,799
Goodwill		**–**	275,103
Trade and other receivables	*8*	**17,763**	27,255
Loan and interest receivables		**–**	16,346
Contingent consideration receivables		**–**	7,759
		1,013,994	2,046,263
Current assets			
Inventories		**76,105**	93,399
Amounts due from joint ventures		**197,157**	203,728
Amount due from an associate		**70,097**	98,632
Trade and other receivables	*8*	**851,164**	886,693
Loan and interest receivables		**36,263**	57,224
Financial assets measured at fair value through profit or loss ("**FVTPL**")		**391,274**	692,345
Security account balances		**7,732**	18,608
Restricted bank balances		**192,064**	150,882
Bank balances and cash		**220,364**	207,451
		2,042,220	2,408,962
Total assets		**3,056,214**	4,455,225
LIABILITIES			
Non-current liabilities			
Other payables	*9*	**137**	137
Borrowings – due after one year	*10*	**473,611**	378,206
Lease liabilities		**2,868**	22,157
Deferred income		**48,534**	47,051
Contract liabilities		**–**	169,043
Long term payables		**–**	24,352
Deferred tax liabilities		**38,172**	88,853
		563,322	729,799

	NOTES	2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and other payables	9	**1,250,084**	960,380
Amount due to an associate		**–**	6,631
Amount due to a joint venture		**–**	1,903
Borrowings – due within one year	10	**1,077,677**	1,165,453
Convertible bonds		**824,674**	751,692
Lease liabilities		**10,941**	7,744
Income tax payable		**47,712**	93,002
Deferred income		**5,433**	7,594
Contract liabilities		**15,029**	179,652
Provisions		**49,507**	30,033
		3,281,057	3,204,084
Total liabilities		**3,844,379**	3,933,883
Net current liabilities		**(1,238,837)**	(795,122)
Total assets less current liabilities		**(224,843)**	1,251,141
Net (liabilities)/assets		**(788,165)**	521,342
OWNERS' EQUITY			
Share capital	11	**112,290**	84,283
Reserves		**(971,034)**	109,014
Equity attributable to:			
Owners of the Company		**(858,744)**	193,297
Non-controlling interests		**70,579**	328,045
Total (deficit in equity)/equity		**(788,165)**	521,342

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing of automotive parts, education management and consultation, and financial services.

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.

The financial statements are presented in Renminbi ("**RMB**") and rounded to nearest thousand (RMB'000) unless otherwise stated.

Key event

Newly promulgated Implementation Regulations during the year

During the year ended 31 December 2021, the Implementation Regulations of the Private Education Promotion Law of the People's Republic of China* (《中華人民共和國民辦教育促進法實施條例》) (the "**Implementation Regulations**") was promulgated. The Implementation Regulations were effective on 1 September 2021. The Implementation Regulations include rules that prohibit social organisations and individuals from controlling private compulsory education schools and non-profit private pre-schools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with the related parties. The management of the Group assessed that all the compulsory education business which is middle school and primary school business of the Group were affected by the Implementation Regulations (collectively referred to as the "**Affected Business**"). Details of the impact of the Implementation Regulations on the Affected Business of the Group were set out in Note 12.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets measured at FVTPL, which is carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Going concern

For the year ended 31 December 2021, the Group reported a loss attributable to owners of the Company of approximately RMB968 million (2020: approximately RMB374 million). As at 31 December 2021, the Group had accumulated losses and deficit in equity of approximately RMB971 million (31 December 2020: approximately RMB4,013 million) and approximately RMB788 million (31 December 2020: total equity approximately RMB521 million), respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,239 million (31 December 2020: approximately RMB795 million). As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,376 million (31 December 2020: approximately RMB2,295 million), of which the total current borrowings and convertible bonds amounted to approximately RMB1,902 million (31 December 2020: approximately RMB1,917 million), while its bank balances and cash amounted to approximately RMB220 million (31 December 2020: approximately RMB207 million) only.

In addition, in December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the convertible bond 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 2021, the winding-up petition was awaiting hearing and the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB825 million, and were classified as current liabilities. As at the same date, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB366 million were in default due to late or overdue for payment.

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 extension for repayment of outstanding convertible bonds. In January 2022, the Company and the holder of the convertible bonds entered into a series of agreements in which the holder of the convertible bonds agreed to extend for the repayment date and amend of certain terms and conditions of the convertible bonds, subject to fulfillment of certain conditions precedent, including but not limited to the approval of Stock Exchange and the Company's shareholders;

(ii) The Group has been actively communicating with its existing lenders of borrowings which were overdue or will be due within twelve months from the date of financial position, to renew of, extend to the dates of repayment, and/or to introduce debt capitalisation plans to these lenders;

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

(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 to generate sufficient cash flow.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 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 31 December 2021. 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 management of the Company 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) Successful fulfillment of all conditions precedent in the amendments and restatements agreement entered with the holder of the convertible bonds in January 2022, in order to extend for the repayment of outstanding convertible bonds;

(ii) Successful negotiations with the lenders of borrowings for the renewal of, extension for, and/or restructure of repayment of the outstanding borrowings, including principals and interests;

(iii) Successful obtaining additional new sources of financing as and when needed;

(iv) Successful divesting the Group's non-core and non-operating assets in the expected timeframe; and

(v) Successful managing the Group's operations from time to time to generate sufficient cash.

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 consolidated financial statements.

(b) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for its annual reporting period commencing 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform (Amendments)
Amendments to HKFRS 16	Covid-19-Related Rent concessions (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.

(c) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for the current reporting period 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 (Amendments) Beyond 1 June 2021	1 April 2021
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	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

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 management and consultation business – engage in the business of provision of international high school curriculum and overseas study consultation services.

- 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 and private equity fund management.

(b) **Segment revenue and segment results**

	Segment revenue		Segment results	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		(restated)
Automotive parts business	**1,015,546**	942,907	**126,562**	132,109
Education management and consultation business	**51,098**	56,138	**17,112**	19,855
Financial services business	**27,186**	30,921	**26,617**	28,842
Total segment	**1,093,830**	1,029,966	**170,291**	180,806
Other income and expense			**38,579**	41,519
Other losses, net			**(173,351)**	(17,522)
ECL, net of reversal			**(18,919)**	(103,176)
Impairment losses on goodwill, tangible and intangible assets			**(379,103)**	(48,467)
Impairment losses on interests in joint ventures			**(21,232)**	(15,183)
Selling and distribution expenses			**(114,636)**	(42,357)
R&D expenditure			**(59,903)**	(53,992)
Administrative expenses			**(138,086)**	(197,320)
Operating losses			**(696,360)**	(255,692)
Finance costs			**(197,445)**	(206,821)
Share of results of associates			**(105)**	(1,345)
Share of results of joint ventures			**6,601**	10,856
Loss before income tax			**(887,309)**	(453,002)

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

	For the year ended 31 December 2021			
Segments	**Automotive parts business**	**Education management and consultation business**	**Financial services business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from contracts with customers				
External customers	1,015,546	51,098	22,569	1,089,213
Inter-segment sales	–	–	32,838	32,838
Sub-total	**1,015,546**	**51,098**	**55,407**	**1,122,051**
Elimination	–	–	(32,838)	(32,838)
Revenue from contracts with customers	**1,015,546**	**51,098**	**22,569**	**1,089,213**
Interest income	–	–	4,617	4,617
Segment revenue	**1,015,546**	**51,098**	**27,186**	**1,093,830**

Segments	For the year ended 31 December 2020 Automotive parts business *RMB'000*	Education management and consultation business *RMB'000* (restated)	Financial services business *RMB'000*	Total *RMB'000* (restated)
Revenue from contracts with customers				
External customers	942,907	56,138	23,476	1,022,521
Inter-segment sales	–	–	77,021	77,021
Sub-total	**942,907**	**56,138**	**100,497**	**1,099,542**
Elimination	–	–	(77,021)	(77,021)
Revenue from contracts with customers	**942,907**	**56,138**	**23,476**	**1,022,521**
Interest income	–	–	7,445	7,445
Segment revenue	**942,907**	**56,138**	**30,921**	**1,029,966**

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 year ended 31 December 2021, approximately 95% (2020: approximately 96%) 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 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. OTHER LOSSES, NET

	2021 *RMB'000*	2020 *RMB'000* (restated)
Donation	**–**	(1,032)
Exchange gains, net	**60,944**	155,980
Provision for impairment of inventories, net	**–**	(5,261)
Dividend income from financial assets measured at FVTPL	**5,632**	11,925
Write off of trade receivable	**(82,035)**	–
Gains on disposal of property, plant and equipment	**–**	3,405
Loss on disposal of Stirling Coleman Capital Limited	**–**	(30,241)
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)
Gain/(loss) on de-registration of subsidiaries	**15,173**	(104)
Fair value changes of financial assets measured at FVTPL	**(172,486)**	(135,265)
Fair value changes of contingent consideration payables	**–**	(2,681)
Others	**(579)**	(10,020)
	(173,351)	(17,522)

5. INCOME TAX CREDIT

	2021 *RMB'000*	2020 *RMB'000* (restated)
Current income tax:		
– Hong Kong profits tax	**2**	–
– PRC enterprise income tax	**200**	2,873
	202	2,873
Over-provision in prior year:		
– Hong Kong	**(161)**	(429)
	41	2,444
Overseas withholding income tax	**–**	232
Deferred income tax	**(1,752)**	(8,766)
Income tax credit	**(1,711)**	(6,090)

6. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2021 and 2020. The Board does not recommend the payment of dividend for the year ended 31 December 2021 (2020: 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 2021 and 2020.

	2021	2020
Loss attributable to owners of the Company (RMB'000)	**(968,233)**	(373,724)
Weighted average number of ordinary shares in issue	**1,097,308,462**	1,005,378,400
Loss per Share (RMB)	**(0.88)**	(0.37)

The loss per Share for the year ended 31 December 2020 has been adjusted with consideration of the effect of the Share Consolidation.

(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 (2020: one) category of potentially dilutive ordinary shares: share options (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 years ended 31 December 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.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000*
Trade receivables	**455,643**	492,256
Less: allowance for trade receivables	**(40,252)**	(32,494)
	415,391	459,762
Bills receivables	**109,570**	94,105
Receivables from non-controlling shareholders of Xishan Schools	**–**	95,769
Rental deposits, prepayments and other receivables	**278,831**	282,342
Less: allowance for other receivables	**(25,185)**	(98,034)
	779,495	833,944
Value-added tax recoverable	**–**	199
Prepayment to a supplier of automotive parts	**76,748**	54,239
Advances to suppliers	**13,572**	25,566
	868,927	913,948
Less: amounts shown under non-current assets	**(17,763)**	(27,255)
Total trade and other receivables shown under current assets	**851,164**	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:

	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000*
0 to 90 days	**432,225**	327,924
91 to 180 days	**23,377**	122,868
181 to 365 days	**–**	4,230
Over 365 days	**41**	4,740
	455,643	459,762

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

	As at 31 December 2021	As at 31 December 2020
	RMB'000	*RMB'000*
0 to 30 days	**77,765**	–
31 to 60 days	**–**	1,423
61 to 90 days	**–**	785
91 to 120 days	**2,337**	33,342
121 to 150 days	**10,719**	26,937
151 to 180 days	**18,749**	31,618
	109,570	94,105

9. TRADE AND OTHER PAYABLES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables	**577,396**	506,067
Bills payables	**233,724**	77,350
	811,120	583,417
Accruals and other payables	**378,557**	219,136
Other tax payables	**6,700**	35,816
Payroll and welfare payables	**53,840**	122,148
	1,250,221	960,517
Less: amounts shown under non-current liabilities	**(137)**	(137)
Total amounts shown under current liabilities	**1,250,084**	960,380

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 2021 RMB'000	As at 31 December 2020 RMB'000
0 to 90 days	**369,180**	388,404
91 to 180 days	**54,364**	67,222
181 to 365 days	**22,134**	15,244
Over 365 days	**131,718**	35,197
	577,396	506,067

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 2021 RMB'000	As at 31 December 2020 RMB'000
0 to 30 days	**43,930**	9,900
31 to 60 days	**34,150**	4,000
61 to 90 days	**18,420**	12,450
91 to 180 days	**24,800**	38,000
Over 180 days	**112,424**	13,000
	233,724	77,350

10. BORROWINGS

	As at 31 December 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Bank borrowings	**619,500**	541,073
Notes and debentures	**729,823**	709,932
Other borrowings	**201,965**	292,654
Loans from government	**61,649**	59,238
Loans from independent third parties	**140,316**	233,416
	1,551,288	1,543,659
Unsecured and unguaranteed borrowings	**1,159,041**	1,201,973
Secured and unguaranteed borrowings	**392,247**	341,686
	1,551,288	1,543,659

The contractual maturity dates of borrowings are as follows:

	As at 31 December 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Within one year	**1,077,677**	777,363
Between one to two years	**185,488**	381,678
Between two to five years	**276,362**	261,712
Over five years	**11,761**	122,906
	1,551,288	1,543,659
Less: amounts shown under current liabilities	**(1,077,677)**	(1,165,453)
Amounts shown under non-current liabilities	**473,611**	378,206

As at 31 December 2021 and 2020, 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 *HK$*	Par value per Shares *HK$*
Authorised:			
At 1 January 2020 and 31 December 2020	50,000,000,000	1,000,000,000	0.02
Share Consolidation *(Note a)*	(40,000,000,000)	–	
At 31 December 2021	10,000,000,000	1,000,000,000	0.10
Issued and fully paid:			
At 1 January 2020 and 31 December 2020	5,026,892,000	100,537,840	0.02
Issue of Shares *(Note b)*	466,800,000	9,336,000	0.02
Issue of Shares *(Note c)*	227,000,000	4,540,000	0.02
Share Consolidation *(Note a)*	(4,576,553,600)	–	
At 20 August 2021	1,144,138,400	114,413,840	0.10
Issue of Shares *(Note d)*	201,061,600	20,106,160	0.10
At 31 December 2021	1,345,200,000	134,520,000	0.10

Notes:

a. On 20 August 2021, Share Consolidation effectived, which 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.

b. On 21 June 2021, 466,800,000 Shares were allotted and issued by way of consideration issue for the purpose of capitaling outstanding debts of the Group.

c. On 21 June 2021, 227,000,000 Shares were allotted and issued by way of top-up placing for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

d. On 29 November 2021, 201,061,600 Shares were allotted and issued by way of placement issue for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

	As at 31 December 2021 ***RMB'000***	As at 31 December 2020 *RMB'000*
Share capital presented in the consolidated statement of financial position	**112,290**	84,283

12. DISCONTINUED OPERATIONS

As stated in Note 2, due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the consolidated affiliated entities through contractual agreements.

On 14 May 2021, the Implementation Regulations were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Business were no longer enforceable from 1 September 2021. Management assessed the implications of this new regulation and concluded that, based on the facts and circumstances, the ability of the Group to use its power from the contractual agreements to direct the relevant activities that would most significantly affect returns of the Affected Business had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Business. Accordingly, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss for the period from 1 January 2021 to 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year's presentation.

The net assets relating to the Affected Business were approximately RMB280,372,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Business was recognised during the year and included in the losses from discontinued operations.

Discontinued operations

	For the period from 1 January 2021 to 31 August 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000* (Restated)
Revenue	219,133	331,247
Cost of services	(135,870)	(196,207)
Gross Profit	83,263	135,040
Other income and expenses	33,185	22,096
Other losses, net	692	1,501
ECL, net of reversal	(531)	–
Selling and distribution expenses	(14,627)	(20,698)
Administrative expenses	(58,312)	(72,150)
Operating profit	43,670	65,789
Finance costs	(7,759)	(10,628)
Profit before income tax	35,911	55,161
Income tax expense	(5,615)	(10,477)
Profit for the period/year before one-off losses upon deconsolidation of Affected Business	30,296	44,684
Loss on deconsolidation of Affected Business	(247,212)	–
(Loss)/profit for the period/year	(216,916)	44,684

(Loss) /profit for the period/year from discontinued operations includes the followings:

	For the period from 1 January 2021 to 31 August 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000* (Restated)
Employee benefits expenses (including Directors):		
– salaries and other benefits	112,361	168,209
– retirement benefit scheme contributions	15,579	15,784
Depreciation of property, plant and equipment	17,729	28,188
Depreciation of right-of-use assets	8,144	3,571

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. The Group maintains a diversified development strategy to provide customers with a wide range of products and services, and is mainly engaged in financial services business, education management and consultation business and automotive parts business currently. Our financial services business 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; our education management and consultation business mainly provides international high school curriculum and overseas study consultation services; and our automotive parts business is mainly engaged in R&D, manufacturing and sales of automobile absorbers.

BUSINESS REVIEW

Financial Services Business

The Group has obtained diversified financial service licences and established a consummate financial service 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 has been 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" formulated by the SFC, and advise listed companies in relation to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the year under review, COVID-19 epidemic continued to spread around the world, with localised clustered outbreaks occurring from time to time in China, and epidemic prevention and control had become normalised. The Group's financial services business actively responded to the epidemic, and overcame the impacts on market expansion and customer development 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 had strengthened communication with existing customers, assisted customers in capturing investment opportunities, and actively expanded potential customer bases in order to obtain more business opportunities. During the year under review, FC Securities and FC International Finance acted as placing agents and financial advisers for certain projects of the Company, assisting the Company in completing projects such as issuance of new shares, share consolidation and change in board lot size, major transactions of sale of shares and reorganisation of convertible bonds, etc. FC International Finance also acted as (a) 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; (b) an independent financial adviser to China ITS (Holdings) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1900) in relation to two connected transactions; (c) an independent financial adviser to WINDMILL Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1850) in relation to a mandatory unconditional cash offer; and (d) an independent financial adviser to Wealthking Investments Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1140) in relation to two connected transactions and refreshment of general mandate.

Education Management and Consultation Business

The Group's education management and consultation business mainly operates the PGA (Project of Global Access) international high school curriculum and provides overseas study consultation services to students, and the campuses are located in Beijing, Shanghai, Xi'an, Hangzhou and Wuhan. During the year under review, local outbreaks of COVID-19 in Xi'an, Hangzhou and other places in China had affected the Group's operations in local campuses to varying degrees. The Group actively responded to the epidemic by strictly implementing the requirements of the local governments' epidemic prevention and control measures and utilising the "Internet + Education" model to provide both online and offline teaching, in order to balance the efforts in handling the prevention and control of the epidemic and education and teaching.

The Group has actively optimised the curriculum structure and increased the hours of teaching to enhance students' performance. Graduates have been admitted to top-ranked universities in the United Kingdom, the United States, Canada and Australia. In view of the difficulties of foreign teachers travelling to and from China under the epidemic context, the Group adjusted the engagement of foreign teachers to reduce the dependence on the same. It introduced excellent subject teachers and strengthened the subject teams to make every effort to improve the teaching quality. In terms of overseas study consultation services, the Group enhanced its R&D on overseas study service solutions, improved its guidance and planning of further education and enriched its diversified application service products. The Group also continued to adjust the campus structure by closing down ineffective campuses and opening new ones.

Automotive Parts Business

According to the statistics of the China Association of Automobile Manufacturers, approximately 26,082,000 and approximately 26,275,000 automobiles were produced and sold in China respectively during 2021, representing a year-on-year increase of approximately 3.4% and approximately 3.8% respectively, ending a downward trend for three consecutive years. In light of the development trend of technological change and ecological reshaping in the automotive industry, the Group's automotive parts business juggled the prevention and control of the epidemic and 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 deepened its Amoeba management model, exerted its existing advantages on brands and technologies, ramped up the levels of product R&D and quality control to establish efficient and productive factories. With the vision of "Where there are cars, there is Cijan", the Group continued to optimise and improve the structures of its 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 year under review, the Group had supplied absorbers for automobiles made by automotive manufacturers such as SAIC Motor, Dongfeng Passenger Vehicle, GM Wuling, BYD and Xpeng Motors. Having passed the examination of PSA, a French automobile manufacturer, the Group has become the global supplier of absorbers for 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 Peugeot 208. The Group received bulk orders from SAIC Motor for its self-developed Adaptive Damping System (ADS).

The Group also proactively fulfilled its corporate social responsibility by donating to Xichuan Red Cross* (淅川縣紅十字會) for reconstruction in the wake of heavy rainstorms 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

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$328.9 billion had been raised from IPO on the Stock Exchange in 2021, making it the fourth largest stock exchange in the world in terms of IPO funds raised, and continuing to maintain its important position in the world. In the context of win-win cooperation in the Guangdong-Hong Kong-Macau Greater Bay Area, the return of China concept stocks and the listing of new economy companies and biotechnology companies in Hong Kong are expected to remain active. In addition, with the growing maturity in the operations of interconnection mechanisms such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect, 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. As to Bond Connect, the "Southbound Trading Link" was officially implemented in the beginning of 2022, injecting new vitality and opportunities into Hong Kong and Mainland China capital markets and further promoting the interconnection between Hong Kong and Mainland China markets, and enhancing the common prosperity of the capital markets of Hong Kong and Mainland China.

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, innovate and upgrade its product and service systems, strengthen business synergy and collaboration, adhere to the strategies of differentiated and characteristic development, and elaborately build up and expand characteristic financial services. The Group will adhere to the core value of "All for the Customer" and proactively plans for the customers closely based on their needs, providing them with diversified and customised professional financial services.

Education Management and Consultation 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.

Looking ahead to 2022, although the control of the epidemic in China is overall positive, and COVID-19 vaccination rates in major countries have reached relatively high levels, with SARS-CoV-2 variants occurring from time to time, the global epidemic may continue for a relatively long period of time. Different countries have adopted different strategies to control the epidemic. While China insists on reaching "dynamic zero", European countries and the United States seek to "coexist with the virus". Such differences create barriers to the movement and exchange of people across countries, especially between China and Europe and the United States. As such, the Group's international education business may face greater challenges.

The Group's education management and consultation business 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 enhance the cooperation with allied schools by leveraging on the brand and market influence of the PGA international curriculum, so as to establish a new type of international education service platform. By optimising the curriculum structure, enriching course contents, the Group will improve the quality of teaching and enhance students' performance. Meanwhile, the Group will upgrade the services for further education according to the needs and characteristics of school campuses and students, and design personalised solutions for overseas study services such as top-ranked university application for top students and provide convenient access and services for students to pursue further education and overseas study. The Group will optimise its organisational management system and develop standardised operational solutions to achieve the standardisation of course contents, teaching methods, team management, operational management, brand management and services for further education, so as to establish a streamlined and efficient workflow system.

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 one thousand 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. Looking into the future, the automobile and automotive parts industries will face ever more opportunities and challenges. The Group will continue to implement effective development strategies to promote the development of its automotive parts business.

The Group's automotive parts business will leverage on its established brand and technology strengths, target for "Top Quality and Customer Satisfaction", place emphasis on "Focuses on Process and Results", perfect its quality system and improve the product quality and customer satisfaction. The Group will keep on optimising and improving the structures of its products and customers according to the development trend of the automobile industry and the operation conditions of automobile manufacturers, and strengthen existing markets while devoting itself to the emerging markets such as the aftersales market, the international market and the rail transit market. The Group regards "Utilisation, R&D and Reserve" as its technical management philosophy and commits itself to building first-class R&D centers in order to boost the reserve, and market promotion and application of new technologies.

The Impact of the Implementation Regulations

The State Council of the PRC promulgated the Implementation Regulations on 14 May 2021, which became effective on 1 September 2021. The Implementation Regulations prohibited controlling private schools that implement compulsory education (i.e. primary and middle school education) and non-profit private schools that implement pre-school education (i.e. kindergarten education) by any social organisations and individuals through mergers and acquisitions, agreement control and other ways, and prohibited private schools that implement compulsory education from entering into transactions with stakeholders.

As disclosed in the Company's 2020 Annual Report, in light of the foreign investment restrictions in primary and middle school and pre-school and high school education businesses in the PRC, the Group entered into contractual arrangements (the "**Contractual Arrangements**") for the control and operations of (i) Xishan Schools (comprising Fuqing Xishan School* (福清西山學校), Jiangxi Xishan School* (江西省西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Xishan Education Group* (西山教育集團), Jinxian Xishan Youth Football Club* (進賢縣西山青少年足球俱樂部), Fuqing Guowen Education Management Company Limited* (福清市國文教育管理有限公司), Jinxian Xishan Education Management Company Limited* (進賢縣西山教育管理有限公司) and Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司)) and (ii) Yinghua School (comprising Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校) and Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司)) (collectively, the "**Affected Entities**").

Xishan Schools are principally engaged in the provision of pre-school, primary, middle, high school and vocational education services. The pre-school and high school education service are provided in conjunction with the compulsory education in one entity while the vocational education service is provided in conjunction with the compulsory education school as an integral part using the same campus, facilities and teaching resources. The segregation of the vocational education service from other operations is not feasible in light of its existing conditions. Yinghua School is principally engaged in the provision of primary, middle and high school education services. The high school education service is provided in conjunction with the compulsory education in one entity.

The Company's PRC legal adviser (the "**PRC Legal Adviser**"), Han Kun Law Offices, consulted the relevant government authorities in the PRC, and the consulted officials confirmed that, from 1 September 2021, the Contractual Arrangements related to provision of compulsory education and non-profit pre-school education constituted "controlling private schools that implement compulsory education and non-profit private schools that implement pre-school education through agreement control" as stipulated in the Implementation Regulations, which violated the relevant provisions of the Implementation Regulations and shall not be legally enforceable. The PRC Legal Adviser is of the view that the consulted authorities are the competent authorities to give the above confirmation.

The compulsory education schools and non-profit pre-schools of Xishan Schools and Yinghua School are subject to the Implementation Regulations and, thus, the Contractual Arrangements are considered not enforceable with effect from 1 September 2021. There are significant uncertainties and restrictions on the Group's control over the Affected Entities (including the school sponsors, the related holding company and the related entities operating in conjunction with the compulsory education schools). Based on the foregoing, the Board is of the view that (i) the Group lost control over the Affected Entities at the end of 31 August 2021, (ii) the Affected Entities were deconsolidated from the consolidated financial statements of the Company starting from 1 September 2021, and (iii) all the assets and liabilities of the Affected Entities as of 31 August 2021 and the income and profits derived from the Affected Entities after 1 September 2021 would not belong to the Group.

Based on the accounts of the Group, (i) the total assets of the Affected Entities as at 31 August 2021 amounted to approximately RMB1,053 million, (ii) the net assets of the Affected Entities as at 31 August 2021 amounted to approximately RMB368 million, (iii) the revenue generated from the business of the Affected Entities amounted to approximately RMB219 million for the eight months ended 31 August 2021, and (iv) the net profit from the business of the Affected Entities amounted to approximately RMB30 million for the eight months ended 31 August 2021.

The Implementation Regulations have an impact on the financial position of the Group. However, the operation of the remaining businesses of the Group (being financial services business, education management and consultation business and automotive parts business) maintains usual business operation and are not affected by the Implementation Regulations. The Company will continue to closely monitor the development of the Implementation Regulations, including the implementation policies and requirements formulated by the local governments and business authorities of where the Affected Entities are located in accordance with the Implementation Regulations and local situation, and evaluate their impact on the Group and the Contract Arrangements. The Company will make further announcement(s) in due course to update the shareholders (the "**Shareholders**") and potential investors of the Company, in the event of any further development of the Implementation Regulations relating to the business of the Affected Entities.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's overall revenue increased by approximately 6.2% to approximately RMB1,093.8 million from approximately RMB1,030.0 million in 2020, of which revenue from automotive parts business increased by approximately 7.7% to approximately RMB1,015.5 million from approximately RMB942.9 million in 2020, revenue from financial services business decreased by approximately 12.0% to approximately RMB27.2 million from approximately RMB30.9 million in 2020, and revenue from education management and consultation business decreased by approximately 9.1% to approximately RMB51.1 million from approximately RMB56.2 million in 2020. The increase in revenue was mainly due to the increase in sales of automotive parts business.

Cost of sales/services

For the year ended 31 December 2021, the Group's overall cost of sales/services increased by approximately 8.8% to approximately RMB923.6 million from approximately RMB849.2 million in 2020, of which cost of sales from automotive parts business increased by approximately 9.6% to approximately RMB889.0 million from approximately RMB810.8 million in 2020, cost of services from financial services business decreased by approximately 71.4% to approximately RMB0.6 million from approximately RMB2.1 million in 2020, and cost of services from education management and consultation business decreased by approximately 6.3% to approximately RMB34.0 million from approximately RMB36.3 million in 2020. The increase in cost of sales/services was mainly due to the increase in sales of automotive parts business.

Gross profit

For the year ended 31 December 2021, the Group's overall gross profit decreased by approximately 5.9% to approximately RMB170.2 million from approximately RMB180.8 million in 2020, of which gross profit from automotive parts business decreased by approximately 4.2% to approximately RMB126.5 million from approximately RMB132.1 million in 2020, gross profit from financial services business decreased by approximately 7.6% to approximately RMB26.6 million from approximately RMB28.8 million in 2020, and gross profit from education management and consultation business decreased by approximately 14.1% to approximately RMB17.1 million from approximately RMB19.9 million in 2020.

Gross profit margin

For the year ended 31 December 2021, the Group's overall gross profit margin decreased by approximately 2.0 percentage points to approximately 15.6% from approximately 17.6% in 2020, of which gross profit margin of automotive parts business decreased by approximately 1.5 percentage points to approximately 12.5% from approximately 14.0% in 2020, gross profit margin of financial services business increased by approximately 4.6 percentage point to approximately 97.8% from approximately 93.2% in 2020, and gross profit margin of education management and consultation business decreased by approximately 1.9 percentage points to approximately 33.5% from approximately 35.4% in 2020.

Other income and expenses

For the year ended 31 December 2021, the Group recorded other income of approximately RMB38.6 million, representing a decrease of approximately RMB2.9 million from approximately RMB41.5 million in 2020. Such income was primarily government grants.

Other losses

For the year ended 31 December 2021, the Group recorded other losses of approximately RMB173.4 million, representing an increase of approximately RMB155.9 million from approximately RMB17.5 million in 2020. Such losses primarily represented the unrealised (non-cash) 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 2021, the Group's provision on expected credit losses amounted to approximately RMB18.9 million, representing a decrease of approximately RMB84.3 million from approximately RMB103.2 million in 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 year ended 31 December 2021, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB379.1 million, representing an increase of approximately RMB330.6 million from approximately RMB48.5 million in 2020. Such losses were mainly due to the impairment losses on goodwill arising from the deconsolidation of Affected Entities from the consolidated financial statements.

Selling and distribution expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses increased by approximately 170.3% to approximately RMB114.6 million from approximately RMB42.4 million in 2020. Such increase was mainly due to the increase in after-sale services expenses and other distribution expenses in the automotive parts business.

R&D expenditure

For the year ended 31 December 2021, the Group's R&D expenditure increased by approximately 10.9% to approximately RMB59.9 million from approximately RMB54.0 million in 2020. 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 2021, the Group's administrative expenses decreased by approximately 30.0%% to approximately RMB138.1 million from approximately RMB197.3 million in 2020. 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 2021, the Group's finance costs decreased by approximately 4.5% to approximately RMB197.4 million from approximately RMB206.8 million in 2020.

Taxation

For the year ended 31 December 2021, the Group's taxation was the income tax credit of approximately RMB1.7 million, representing a decrease of approximately RMB4.4 million as compared with the income tax credit of approximately RMB6.1 million in 2020. Such decrease was mainly due to the decrease in the PRC current income tax expense.

Loss for the year

For the year ended 31 December 2021, the Group recorded a loss of approximately RMB885.6 million, representing an increase of approximately 98.2% as compared with a loss of approximately RMB446.9 million in 2020. Such loss was mainly due to the loss arising from the deconsolidation of Affected Entities from the consolidated financial statements and unrealised (non-cash) the loss arising from the fair value changes of financial assets measured at FVTPL.

Loss per Share

For the year ended 31 December 2021, the basic and diluted loss per Share of the Group amounted to approximately RMB0.88, while the basic and diluted loss per Share amounted to approximately RMB0.37 in 2020 (adjusted with consideration of the effect of the Share Consolidation).

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 future challenges. As at 31 December 2021, the Group's net current liabilities amounted to approximately RMB1,238.8 million, representing an increase of approximately 55.8% as compared with that of approximately RMB795.1 million as at 31 December 2020.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK$. As at 31 December 2021, the Group's cash and bank balances amounted to approximately RMB220.4 million, representing an increase of approximately 6.2% 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 31 December 2021, the Group's total borrowings amounted to approximately RMB1,551.3 million, representing an increase of approximately 0.5% 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 RMB1,077.7 million as at 31 December 2021, representing an increase of approximately 38.6% 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 RMB185.5 million as at 31 December 2021, representing a decrease of approximately 51.4% 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 RMB276.4 million as at 31 December 2021, representing an increase of approximately 5.6% as compared with that of approximately RMB261.7 million as at 31 December 2020; and (iv) borrowings due over five years amounted to approximately RMB11.8 million as at 31 December 2021, representing a decrease of approximately 90.4% as compared with that of approximately RMB122.9 million as at 31 December 2020.

As at 31 December 2021, approximately RMB1,265.3 million (31 December 2020: approximately RMB1,303.7 million) of the Group's total borrowings were subject to fixed interest rates.

As at 31 December 2021, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 56.6% (31 December 2020: approximately 36.4%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2021, the Group's inventories amounted to approximately RMB76.1 million, representing a decrease of approximately 18.5% as compared with that of approximately RMB93.4 million as at 31 December 2020. Such decrease was mainly due to the decrease in finished goods due to optimisation of inventory management of automotive parts business.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2021, the Group's trade receivables amounted to approximately RMB455.6 million, representing a decrease of approximately 7.5% as compared with that of approximately RMB492.3 million as at 31 December 2020.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2021, the Group's trade payables amounted to approximately RMB577.4 million, representing an increase of approximately 14.1% 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 31 December 2021, the fair value of such investments was approximately RMB391.3 million (31 December 2020: approximately RMB692.3 million), which was equivalent to approximately 12.8% (31 December 2020: approximately 15.5%) of the total assets of the Group as at 31 December 2021. For the year ended 31 December 2021, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB172.5 million (2020: approximately RMB132.6 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. 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 year ended 31 December 2021, the Group's capital expenditures amounted to approximately RMB44.6 million (2020: approximately RMB45.8 million), which were primarily the expenses of automotive parts 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.

As at 31 December 2021, the Group's capital commitments in respect of additions to property, plant and equipment amounted to approximately RMB3.3 million (31 December 2020: approximately RMB7.1 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2021, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB280.1 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) had been pledged to acquire borrowings for the Group.

As at 31 December 2021, the Group's restricted bank balances with a carrying amount of approximately RMB192.1 million (31 December 2020: approximately RMB150.9 million) were 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 31 December 2021, the Group had 1,788 employees (31 December 2020: 3,611 employees). 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, bonus 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 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, ASSOCIATED COMPANIES AND JOINT VENTURES

For the year ended 31 December 2021, save as disclosed below, to the best knowledge and belief of the Directors, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

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

As disclosed in the Company's announcement dated 10 September 2021, (i) Sichuan Yujiage Hotel Management Limited* (四川裕嘉閣酒店管理有限公司), an indirectly wholly-owned subsidiary of the Company, from 5 January 2021 to 9 September 2021, had disposed of an aggregate of 5,621,476 shares ("**Guangan 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 Shanghai Stock Exchange (stock code: 600979), representing approximately 0.46% of the total issued shares of Guangan AAA as at 9 September 2021, of which the aggregate consideration was approximately RMB18.0 million (after deduction of the relevant transaction costs); and (ii) the Company proposed to seek approval for the disposal mandate (the "**Disposal Mandate**") from the Shareholders at the extraordinary general meeting of the Company (the "**EGM**") in advance to allow the Directors to dispose of up to 39,000,000 Guangan Shares, representing approximately 3.16% of the total issued share capital of Guangan AAA as at 10 September 2021, during the 12-month period from the date of the EGM. An ordinary resolution to approve the Disposal Mandate was passed by the Shareholders at the EGM held on 22 November 2021. For the year ended 31 December 2021, 5,240,000 Guangan Shares had been disposed of under the Disposal Mandate. For further information, please refer to the Company's announcements dated 10 September 2021 and 22 November 2021, and the Company's circular dated 29 October 2021.

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 (the "**Change in Board Lot Size**"). An ordinary resolution to approve the Share Consolidation was passed by the Shareholders at the EGM held on 18 August 2021. The Share Consolidation and the Change in Board Lot Size became effective on 20 August 2021. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2021, 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 (except for the code provision C.1.3, for which the Company did not disclose in the 2020 annual report the relevant information at length due to misapprehension of the Listing Rules and the Company issued an announcement dated 8 June 2021 supplementing relevant disclosure in the 2020 annual report with more details). During the year ended 31 December 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 year ended 31 December 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 Directors had complied with the required standards set out in the Model Code for the year ended 31 December 2021.

COMPETITION AND CONFLICT OF INTERESTS

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 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 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 year ended 31 December 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 31 December 2021, 10,000,000 share options (being 50,000,000 share options before the Share Consolidation became effective on 20 August 2021) granted under the Share Option Scheme 2011 were outstanding and no share options under the Share Option Scheme 2021 were outstanding.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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 year ended 31 December 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.

On 28 September 2020, a winding-up petition (the "**Petition**") was presented by Champion Sense Global Limited ("**Champion Sense**"), a holder of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$800,000,000 issued by the Company in 2017, to the High Court of Hong Kong (the "**High Court**") for the winding up of the Company in relation to the outstanding principal of the Convertible Bonds and the then accrued interest in an aggregate amount of HK$863,406,849.32. The Petition was dismissed on 21 February 2022. For further information, please refer to the Company's announcements dated 30 September 2020, 23 December 2020, 28 December 2020, 8 February 2021, 16 April 2021, 14 July 2021, 15 October 2021, 14 January 2022 and 21 February 2022.

As disclosed in the Company's announcement dated 28 December 2020, Champion Sense as plaintiff, commenced legal action (the "**Action**") against Mr. Tang Mingyang, a former Director, as defendant (the "**Defendant**"), for the principal amount of the Convertible Bonds, and default interest and cost arising from the Convertible Bonds. Through a third party notice served to the Company on 9 December 2020, the Defendant purported to join Ms. Li Dan, a 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 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

SCOPE OF WORK OF THE AUDITOR

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 2021 as set out in this announcement have been agreed by the Company's auditor (the "**Auditor**"), Linksfield CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 31 March 2022. The work performed by the Auditor 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 the Auditor on this announcement.

EXTRACT OF THE AUDITOR'S REPORT

The below sections set out an extract of the report by the Auditor, regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

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 RMB968 million for the year ended 31 December 2021. As at 31 December 2021, the Group had accumulated losses and deficit in equity of approximately RMB971 million and approximately RMB788 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,239 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,376 million, of which the total current borrowings and convertible bonds amounted to approximately RMB1,902 million, while its bank balances and cash amounted to approximately RMB220 million only. In addition, in December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, 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 2021, the winding-up petition was awaiting hearing and the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB825 million and were classified as current liabilities. As at the same date, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB366 million were in default due to late or overdue payment.

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 Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful fulfilment of all conditions precedent in the amendments and restatements agreement entered with the holder of the convertible bonds in January 2022, in order to extend for the repayment of outstanding convertible bonds; (ii) the successful negotiations with the lenders of borrowings for the renewal of, extension for and/or restructure of repayment of the outstanding borrowings, including the principals and interests; (iii) the successful obtaining additional new sources of financing as and when needed; (iv) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and (v) the successful managing the Group's operations from time to time to generate sufficient cash flow.

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. The effects of these adjustments have not been reflected in these consolidated financial statements.

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 extension for repayment of outstanding Convertible Bonds. In January 2022, the Company and the holder of the Convertible Bonds entered into a series of agreements in which the holder of the convertible bonds agreed to extend for the repayment date and amend of certain terms and conditions of the Convertible Bonds, subject to fulfillment of certain conditions precedent, including but not limited to the approval of Stock Exchange and the Shareholders;

(ii) The Group has been actively communicating with its existing lenders of borrowings which were overdue or will be due within twelve months from the date of financial position, to renew of, extend to the dates of repayment, and/or to introduce debt capitalisation plans to these lenders. For the year ended 31 December 2021, the Company had entered into settlement agreements with certain creditors to issue consideration Shares to these creditors to settle debts of approximately HK$21 million;

(iii) The Group has been actively negotiating new sources of financing, such as banks borrowings, placement, etc. For the year ended 31 December 2021, the Company had issued new Shares with net proceeds of approximately HK$50 million;

(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 to generate sufficient cash flow.

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 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 31 December 2021. 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 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 effectiveness of the Group's financial reporting systems and internal control systems. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2021 and expressed no disagreement with the accounting policies and principles adopted by the Group.

The Audit Committee has reviewed the basis for disclaimer of opinion, the Company's position, view and assessment on the disclaimer of opinion and measures taken and to be 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 has also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the rationale of the Auditor and understood its consideration in arriving the disclaimer of opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Thursday, 23 June 2022. Notice of the forthcoming annual general meeting 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 Monday, 20 June 2022 to Thursday, 23 June 2022, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 Friday, 17 June 2022, 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 2021, 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

Reorganisation and amendment of the terms and conditions of the Convertible Bonds

On 13 January 2022, the Company, Champion Sense and Principal Global Investment Limited entered into a framework agreement for the purposes of, among others, setting forth the terms and conditions in relation to the reorganisation of the Convertible Bonds. As part of arrangements for the reorganisation of the Convertible Bonds, additional security documents were entered into on 1 December 2021, and a Convertible Bonds purchase agreement and a Convertible Bonds amendment and restatement Agreement (the "**Amendment and Restatement Agreement**") were entered into on 13 January 2022. Pursuant to the Amendment and Restatement Agreement, the Company and Champion Sense agreed on the amendments to the terms and conditions of the Convertible Bonds which include, among others, (a) a change of the maturity date of the Convertible Bonds; and (b) a change of the conversion price of the Convertible Bonds. For further information, please refer to the announcements of the Company dated 13 January 2022 and 11 March 2022.

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, 31 March 2022

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*