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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 2022

HIGHLIGHTS

<i>RMB' million</i>	2022	2021	Increase/ (Decrease)
Revenue	1,199.9	1,093.8	9.7%
Loss for the year attributable to owners of the Company	(420.7)	(968.2)	(56.5%)
Basic loss per Share (<i>Note a</i>)	RMB(0.28)	RMB(0.88)	(68.2%)
	As at	As at	Increase/ (Decrease)
<i>RMB' million</i>	31 December 2022	31 December 2021	
Total assets	2,751.2	3,056.2	(10.0%)
Deficit in equity attributable to owners of the Company	(1,097.3)	(858.7)	27.8%
Net liability value per Share (<i>Note b</i>)	RMB(0.64)	RMB(0.64)	–

Notes:

- The weighted average number of ordinary shares of the Company (the “Shares”) for the purpose of calculating the basic loss per Share for the year ended 31 December 2021 has been adjusted with consideration of the effect of the Company’s share consolidation (the “Share Consolidation”) which became effective on 20 August 2021.
- Net liability value per Share is arrived at by dividing the deficit in equity attributable to owners of the Company by the number of issued Shares as at the end of the year.

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue	3	1,199,912	1,093,830
Cost of sales/services		(997,802)	(923,539)
Gross profit		202,110	170,291
Other income and expenses		45,969	38,579
Other losses, net	4	(199,315)	(865)
Expected credit losses (“ECL”), net of reversal		(16,192)	(18,919)
Provision for impairment of goodwill		–	(275,103)
Provision for impairment of property, plant and equipment		–	(104,000)
Selling and distribution expenses		(55,348)	(114,636)
Research and development (“R&D”) expenditure		(64,509)	(59,903)
Administrative expenses		(136,771)	(138,086)
Operating losses		(224,056)	(502,642)
Finance costs		(198,278)	(197,445)
Share of results of associates		(1,978)	(105)
Share of results of joint ventures		(21,361)	6,601
Impairment losses on interests in joint ventures		(12,862)	(21,232)
Fair value changes of financial assets at fair value through profit or loss (“FVTPL”)		(23,423)	(172,486)
Fair value changes of derivative financial liabilities		62,216	–
Day one fair value loss on issue of convertible bonds		(167)	–
Loss before income tax		(419,909)	(887,309)
Income tax credit	5	333	1,711
Loss for the year from continuing operations		(419,576)	(885,598)
Discontinued operations			
Loss for the year from discontinued operations, net of tax		–	(216,916)
Loss for the year		(419,576)	(1,102,514)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	<u>80,461</u>	<u>(126,882)</u>
Other comprehensive loss for the year, net of income tax	<u>80,461</u>	<u>(126,882)</u>
Total comprehensive loss for the year	<u>(339,115)</u>	<u>(1,229,396)</u>
(Loss)/profit for the year attributable to:		
Owners of the Company		
– Continuing operations	(420,736)	(798,910)
– Discontinued operations	<u>–</u>	<u>(169,323)</u>
	<u>(420,736)</u>	<u>(968,233)</u>
Non-controlling interests		
– Continuing operations	1,160	(86,688)
– Discontinued operations	<u>–</u>	<u>(47,593)</u>
	<u>1,160</u>	<u>(134,281)</u>
	<u>(419,576)</u>	<u>(1,102,514)</u>
Total comprehensive loss for the year attributable to:		
Owners of the Company		
– Continuing operations	(340,160)	(930,372)
– Discontinued operations	<u>–</u>	<u>(169,324)</u>
	<u>(340,160)</u>	<u>(1,099,696)</u>
Non-controlling interests		
– Continuing operations	1,045	(82,108)
– Discontinued operations	<u>–</u>	<u>(47,592)</u>
	<u>1,045</u>	<u>(129,700)</u>
	<u>(339,115)</u>	<u>(1,229,396)</u>

	<i>NOTES</i>	2022	2021
Loss per Share attributable to owners of the Company (RMB)	<i>7</i>		
Basic loss per Share			
– Continuing operations		(0.28)	(0.73)
– Discontinued operations		–	(0.15)
		<u>(0.28)</u>	<u>(0.88)</u>
Diluted loss per Share			
– Continuing operations		(0.28)	(0.73)
– Discontinued operations		–	(0.15)
		<u>(0.28)</u>	<u>(0.88)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		485,868	485,158
Right-of-use assets		122,217	131,501
Interests in associates		4,527	4,158
Interests in joint ventures		140,444	224,080
Intangible assets		143,282	151,334
Other receivables	8	8,494	17,763
		904,832	1,013,994
Current assets			
Inventories		147,129	76,105
Amounts due from joint ventures		139,523	197,157
Amount due from an associate		81,307	70,097
Trade and other receivables	8	768,116	851,164
Loan and interest receivables		6,373	36,263
Financial assets measured at FVTPL		293,878	391,274
Security account balances		9	7,732
Restricted bank balances		248,675	192,064
Bank balances and cash		161,356	220,364
		1,846,366	2,042,220
Total assets		2,751,198	3,056,214
LIABILITIES			
Non-current liabilities			
Other payables	9	137	137
Borrowings – due after one year	10	566,559	473,611
Lease liabilities		1,901	2,868
Deferred income		35,157	48,534
Deferred tax liabilities		36,420	38,172
		640,174	563,322

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>9</i>	1,289,620	1,250,084
Borrowings – due within one year	<i>10</i>	854,698	1,077,677
Convertible bonds		860,350	824,674
Derivative financial liabilities		4,236	–
Lease liabilities		6,039	10,941
Income tax payable		55,050	47,712
Deferred income		5,433	5,433
Contract liabilities		6,365	15,029
Provisions		56,085	49,507
		<u>3,137,876</u>	<u>3,281,057</u>
Total liabilities		<u>3,778,050</u>	<u>3,844,379</u>
Net current liabilities		<u>(1,291,510)</u>	<u>(1,238,837)</u>
Total assets less current liabilities		<u>(386,678)</u>	<u>(224,843)</u>
Net liabilities		<u>(1,026,852)</u>	<u>(788,165)</u>
OWNERS' EQUITY			
Share capital	<i>11</i>	144,631	112,290
Reserves		(1,241,894)	(971,034)
Equity attributable to:			
Owners of the Company		(1,097,263)	(858,744)
Non-controlling interests		70,411	70,579
Total deficit in equity		<u>(1,026,852)</u>	<u>(788,165)</u>

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.

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 basis

For the year ended 31 December 2022, the Group reported a loss attributable to owners of the Company of approximately RMB421 million (2021: approximately RMB968 million). As at 31 December 2022, the Group had accumulated losses and deficit in equity of approximately RMB1,365 million and RMB1,027 million, respectively (31 December 2021: approximately RMB944 million and RMB788 million, respectively) and the Group’s current liabilities exceeded its current assets by approximately RMB1,292 million (31 December 2021: approximately RMB1,239 million). As at the same date, the Group’s total borrowings and convertible bonds amounted to approximately RMB2,286 million (31 December 2021: approximately RMB2,376 million), while its bank balances and cash amounted to approximately RMB161 million (31 December 2021: approximately RMB220 million) only. In addition, as at 31 December 2022, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB388 million (31 December 2021: approximately RMB366 million) were in default due to late or overdue 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 terms and conditions of the convertible bonds was amended with effect from 16 May 2022 and the maturity date was extended to 15 May 2023. In addition, according to the amendment and restatement agreement of the convertible bonds, it can be further extended to 15 May 2024, with written agreements of the holders of the convertible bonds. The Group is the currently in active negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024;

- (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 and 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 2022. 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 2022. 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) the successful negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024;
- (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 flows.

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 2022:

Annual Improvements Project Amendments to HKAS 16	Annual Improvements 2018–2020 Cycle (Amendments) Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37 Amendments to HKFRS 3 Accounting Guideline 5 (Revised)	Onerous Contracts – Cost of Fulfilling a Contract Reference to the Conceptual Framework Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations
Amendments to HKFRS 16	Covid-19-Related Rent Concessions (Amendments) Beyond 1 June 2021

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
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 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Automotive parts business	1,127,031	1,014,706	53,538	(159,411)
Education management and consultation business	50,935	51,098	12,495	5,830
Financial services business	21,946	28,026	18,328	26,856
Total segment	1,199,912	1,093,830	84,361	(126,725)
Other income and expenses			45,969	38,579
Other losses, net			(199,315)	(865)
ECL, net of reversal			(18,300)	(11,161)
Provision for impairment of goodwill			–	(264,384)
Administrative expenses			(136,771)	(138,086)
Operating losses			(224,056)	(502,642)
Finance costs			(198,278)	(197,445)
Share of results of associates			(1,978)	(105)
Share of results of joint ventures			(21,361)	6,601
Impairment losses on interests in joint ventures			(12,862)	(21,232)
Fair value changes of financial assets at FVTPL			(23,423)	(172,486)
Fair value changes of derivative financial liabilities			62,216	–
Day one fair value loss on issue of convertible bonds			(167)	–
Loss before income tax			(419,909)	(887,309)

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

Segments	For the year ended 31 December 2022			
	Automotive parts business <i>RMB'000</i>	Education management and consultation business <i>RMB'000</i>	Financial services business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers				
External customers	1,127,031	50,935	18,052	1,196,018
Inter-segment sales	36,964	10,950	971	48,885
Sub-total	1,163,995	61,885	19,023	1,244,903
Elimination	(36,964)	(10,950)	(971)	(48,885)
Revenue from contracts with customers				
Interest income	–	–	3,894	3,894
Segment revenue	1,127,031	50,935	21,946	1,199,912
For the year ended 31 December 2021				
Segments	Automotive parts business <i>RMB'000</i>	Education management and consultation business <i>RMB'000</i>	Financial services business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers				
External customers	1,014,706	51,098	23,408	1,089,212
Inter-segment sales	840	6,881	32,838	40,559
Sub-total	1,015,546	57,979	56,246	1,129,771
Elimination	(840)	(6,881)	(32,838)	(40,559)
Revenue from contracts with customers				
Interest income	–	–	4,618	4,618
Segment revenue	1,014,706	51,098	28,026	1,093,830

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the 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 2022, approximately 97% (2021: approximately 95%) of the Group’s revenue from external customers, based on the operation location of respective customers, is derived from the PRC.

As at 31 December 2022, approximately 96% (31 December 2021: approximately 99%) of the Group’s property, plant and equipment and right-of-use assets are located in the PRC.

4. OTHER LOSSES, NET

	2022	2021
	RMB’000	RMB’000
Exchange (losses)/gains, net	(194,061)	60,944
Dividend income from financial assets measured at FVTPL	3,035	5,632
Written off of trade receivables	–	(82,035)
Losses on disposal of property, plant and equipment	(1,627)	(4,479)
Gain on disposal of a subsidiary	3,600	–
Loss on disposal of a joint venture	(16,650)	–
Gain on de-registration of subsidiaries	13	15,173
Others	6,375	3,900
	(199,315)	(865)

5. INCOME TAX CREDIT

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax:		
– Hong Kong	–	2
– PRC Enterprise Income Tax	<u>1,618</u>	<u>200</u>
	1,618	202
Over-provision in prior year:		
– Hong Kong	–	(161)
– PRC	<u>(199)</u>	<u>–</u>
	1,419	41
Deferred income tax	<u>(1,752)</u>	<u>(1,752)</u>
Income tax credit	<u>(333)</u>	<u>(1,711)</u>

6. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2022 and 2021. The Board does not recommend the payment of dividend for the year ended 31 December 2022 (2021: 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 2022 and 2021.

	2022	2021
Loss attributable to owners of the Company (RMB'000)		
– Continuing operations	(420,736)	(798,910)
– Discontinued operations	–	(169,323)
Weighted average number of ordinary shares in issue	<u>1,528,231,808</u>	<u>1,097,308,462</u>
Loss per Share (RMB)		
– Continuing operations	(0.28)	(0.73)
– Discontinued operations	<u>–</u>	<u>(0.15)</u>
	<u>(0.28)</u>	<u>(0.88)</u>

(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 two (2021: two) category of potentially dilutive ordinary shares: share options and convertible bonds (2021: share options and convertible bonds). 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. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense, fair value change and gains/(losses) on early redemption less the tax effect.

For the years ended 31 December 2022 and 2021, diluted loss per Share is the same as the basic loss per Share as the exercise/conversion of potential ordinary shares in relation to the outstanding share options and convertible bonds would have anti-dilutive effects to the basic loss per Share.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Trade receivables	485,568	455,643
Less: allowance for trade receivables	<u>(38,044)</u>	<u>(40,252)</u>
	447,524	415,391
Bills receivables	108,037	109,570
Rental deposits, prepayments and other receivables	228,665	278,831
Less: allowance for other receivables	<u>(43,341)</u>	<u>(25,185)</u>
	740,885	778,607
Prepayment to a supplier of automotive parts	35,725	76,748
Advances to suppliers	<u>–</u>	<u>13,572</u>
	776,610	868,927
Less: non-current portion other receivables	<u>(8,494)</u>	<u>(17,763)</u>
Current portion	<u>768,116</u>	<u>851,164</u>

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 2022 RMB'000	As at 31 December 2021 RMB'000
0 to 90 days	408,045	391,973
91 to 180 days	18,976	23,377
181 to 365 days	7,169	–
Over 365 days	<u>13,334</u>	<u>41</u>
	<u>447,524</u>	<u>415,391</u>

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

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
0 to 30 days	28,726	77,765
31 to 60 days	18,632	–
61 to 90 days	23,250	–
91 to 120 days	5,649	2,337
121 to 150 days	16,564	10,719
151 to 180 days	15,216	18,749
	<u>108,037</u>	<u>109,570</u>

9. TRADE AND OTHER PAYABLES

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
Trade payables	613,048	577,396
Bills payables	448,886	233,724
	<u>1,061,934</u>	<u>811,120</u>
Accruals and other payables	106,726	318,138
Customer deposits for securities trading	44,402	60,419
Other tax payables	16,321	6,700
Payroll and welfare payables	60,374	53,844
	<u>1,289,757</u>	<u>1,250,221</u>
Less: non-current portion other payables	<u>(137)</u>	<u>(137)</u>
Current portion	<u>1,289,620</u>	<u>1,250,084</u>

The aging of trade payables presented based on invoice date is as follows:

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>
0 to 90 days	380,936	369,180
91 to 180 days	84,327	54,364
181 to 365 days	22,749	22,134
Over 365 days	125,036	131,718
	<u>613,048</u>	<u>577,396</u>

The aging of bills payables presented based on issuance date is as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
0 to 30 days	130,000	43,930
31 to 60 days	21,770	34,150
61 to 90 days	34,736	18,420
91 to 180 days	142,380	24,800
Over 180 days	120,000	112,424
	<u>448,886</u>	<u>233,724</u>

10. BORROWINGS

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Bank borrowings	539,900	619,500
Notes and debentures	775,955	729,823
Other borrowings	105,402	201,965
Loans from government	65,717	61,649
Loans from independent third parties	39,685	140,316
	<u>1,421,257</u>	<u>1,551,288</u>
Unsecured and unguaranteed borrowings	1,103,035	1,159,041
Secured and unguaranteed borrowings	318,222	392,247
	<u>1,421,257</u>	<u>1,551,288</u>

The contractual maturity dates of borrowings are as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Within one year or on demand	854,698	1,077,677
Between one to two years	328,910	185,488
Between two to five years	227,195	276,362
Over five years	10,454	11,761
	<u>1,421,257</u>	<u>1,551,288</u>
Less: non-current portion	<u>(566,559)</u>	<u>(473,611)</u>
Current portion	<u>854,698</u>	<u>1,077,677</u>

As at 31 December 2021, certain bank borrowings were reclassified from non-current liabilities to current liabilities as they became repayable on demand due to the breach of covenants underlying the loan agreements (2022: Nil).

11. SHARE CAPITAL

	Number of Shares	Share capital HK\$	Par value per Shares HK\$
Authorised:			
At 1 January 2021	50,000,000,000	1,000,000,000	0.02
Share Consolidation (<i>Note a</i>)	<u>(40,000,000,000)</u>	<u>–</u>	<u>N/A</u>
At 31 December 2021 and 31 December 2022	<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>0.10</u>
Issued and fully paid:			
At 1 January 2021	5,026,892,000	100,537,840	0.02
Issue of Shares (<i>Note b</i>)	466,800,000	9,336,000	0.02
Issue of Shares (<i>Note c</i>)	227,000,000	4,540,000	0.02
Share Consolidation (<i>Note a</i>)	<u>(4,576,553,600)</u>	<u>–</u>	<u>N/A</u>
At 20 August 2021	<u>1,144,138,400</u>	<u>114,413,840</u>	<u>0.10</u>
Issue of Shares (<i>Note d</i>)	201,061,600	20,106,160	0.10
At 31 December 2021	<u>1,345,200,000</u>	<u>134,520,000</u>	<u>0.10</u>
Issue of Shares (<i>Note e</i>)	106,370,000	10,637,000	0.10
Issue of Shares (<i>Note f</i>)	106,340,000	10,634,000	0.10
Issue of Shares (<i>Note g</i>)	<u>164,750,000</u>	<u>16,475,000</u>	<u>0.10</u>
At 31 December 2022	<u>1,722,660,000</u>	<u>172,266,000</u>	<u>0.10</u>

Notes:

- a. On 20 August 2021, 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 capitalising 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.
- e. On 16 June 2022, 106,370,000 Shares were allotted and issued by way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.
- f. On 13 July 2022, 106,340,000 Shares were allotted and issued by way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.
- g. On 19 July 2022, 164,750,000 Shares were allotted and issued by way of consideration issue for the purpose of capitalising outstanding debts of the Group.

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Share capital presented in the consolidated statement of financial position	<u>144,631</u>	<u>112,290</u>

12. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. 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. New Momentum Asset Management Limited (formerly known as First Capital Asset Management Limited) is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. It can provide portfolio management services (such as stocks, bonds, discretionary managed accounts, and funds), investment consultation and investment advisory services to its clients. First Capital International Finance Limited (“**FC International Finance**”) is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and 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 Buybacks” 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, given the complex and volatile financial market environment, the Group's financial services business paid high attention to market dynamics, kept abreast of the market development trends and actively responded to various risks and challenges to ensure the stable and orderly operation of various businesses. Each business units of financial services collaborated to enrich and optimise its product portfolios, focused on expanding channel resources and institutional customers, and actively explored new business directions to provide diversified services for listing applicants and listed companies, so as to obtain more business opportunities.

During the year under review, FC Securities acted as the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Sanergy Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2459). FC International Finance acted as financial adviser and independent financial adviser for a number of transactions, among others, (i) the financial adviser to Peking University Resources (Holdings) Company Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 618), assisting to handle the resumption of trading, the very substantial acquisition of equity interest in target companies by way of the debt settlement and two major transactions of disposal of equity interest in subsidiaries; (ii) the independent financial adviser to Wealthking Investments Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 1140) in relation to a connected transaction for issue of new shares under specific mandate and loan capitalisation; and (iii) the independent financial adviser to Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2086) in relation to a mandatory unconditional cash offer.

Education Management and Consultation Business

Education management and consultation business of the Group 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, Chongqing, Xi'an, Hangzhou, Wuhan and Zhengzhou.

During the year under review, the Group actively explored the localisation of international curriculum and the characterisation of local curriculum, and implemented curriculum integration. At the same time, the Group continued to optimise the curriculum structure and placed emphasis on the development, options and integration of curriculums, to fully unleash the personality potential and creative thinking of students and enhance students' performance. Graduates have been admitted to top-ranked universities in the United Kingdom, the United States, Canada and Australia. In order to fully enhance its teaching quality and management efficiency, the Group continued to optimise the composition of teachers, hired excellent subject teachers, strengthened the subject teams, vigorously launched a series of cross-campus teaching and research trainings under the theme of "Academic Co-creation", and improved the teaching quality assurance system with bilingual teachers as the core. In terms of overseas study consultation services, in view of the diversified feature of overseas study in the post-pandemic era, the Group improved its planning and guidance of further education and enriched its application service products to provide students with a full range of services covering thinking patterns, academic background, interview tutoring and other aspects.

Automotive Parts Business

According to the statistics of the China Association of Automobile Manufacturers, despite the multiple adverse impacts of the continuing COVID-19 pandemic, chip shortage and surging price of some raw materials, approximately 27,021,000 automobiles were produced and approximately 26,864,000 automobiles were sold in China in 2022, representing a year-on-year increase of approximately 3.4% and approximately 2.1% respectively. New energy vehicles continued to experience an explosive growth, with total sales exceeded 6,800,000 units and market share increased to approximately 25.6% in 2022. Meanwhile, vehicles exported exceeded 3,000,000 units in China in 2022, making China the world's second largest exporter of passenger cars.

In light of the development trend of technological change and ecological reshaping in the automotive industry, the Group's automotive parts business, adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management (開發市場、狠抓質量、提升研發、強化管理)", 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 (哪裡有汽車、哪裡就有漸減)", the Group continued to optimise and improve the structures of its products and customers, and deeply explored the potentiality of the market. While consolidating its existing markets, the Group actively explored new markets.

During the year under review, the Group continued to supply absorbers for automobiles made by automotive manufacturers such as SAIC Motor, Dongfeng Passenger Vehicle, GM Wuling and Xpeng Motors. After becoming the global supplier of absorbers for Stellantis Group (formed by the merger of two major corporate groups, PSA Group and FCA Group), the Group received the project assignment notices from FAW Hongqi for solenoid valves shock absorbers, BYD for its absorber project of a certain automobile model and NIO for its absorber project of a certain automobile model. The Group received bulk orders from SAIC Motor for its self-developed Adaptive Damping System (ADS) and also obtained the project assignment notice for ADS system from GAC AION and Li Auto.

During the year under review, the Company actively optimised and improved its debt structure and financial position by negotiating with various creditors to explore alternatives for debt restructuring. On 13 January 2022, the Company, Champion Sense Global Limited ("**Champion Sense**") and other related parties entered into a convertible bonds reorganisation framework agreement, a convertible bonds purchase agreement and a convertible bonds terms and conditions amendment and restatement agreement, respectively, to reorganise the convertible bonds of the Company (the "**Convertible Bonds**"). On 31 March 2022, Wuxi First Capital Equity Investment Fund Centers (Limited Partnership)* (無錫首控股權投資基金管理公司 (有限合夥)) ("**FC Wuxi**", an indirectly non-wholly owned subsidiary of the Company, Honesty Virtue International Limited ("**Honesty Virtue**", an independent third party to the Company, and Zhongyuan Bank Co., Ltd.* (中原銀行股份有限公司) ("**Zhongyuan Bank**") entered into a share purchase agreement for the disposal of shares of Bojun Education Company Limited ("**Bojun Education**", the shares of which are listed on the Main Board of the Stock Exchange, stock code: 1758) held by FC Wuxi, the proceeds of which were used to repay the outstanding liabilities owed by the Company to Zhongyuan Bank. On 4 July 2022, the Company entered into separate settlement agreements with 15 creditors, pursuant to which the Company has conditionally agreed to allot and issue to the creditors and the creditors have conditionally agreed to subscribe for an aggregate of 164,750,000 consideration Shares at the

subscription price of HK\$0.310 per Share. The subscription amount payable by the creditors under the settlement agreements were satisfied by capitalising the respective indebted amount totaling HK\$51,096,411 due from the Company. Such consideration Shares were issued and allotted to the respective creditors on 19 July 2022. For details, please refer to the announcements of the Company dated 4 July 2022 and 19 July 2022.

OUTLOOK

Financial Services Business

During the year under review, the total amount raised from IPO in Hong Kong's stock market ranked fourth in the world and Hong Kong's position as an international financial center has been continuously strengthened. In 2023, as Hong Kong's stock market has further relaxed and lowered the threshold of secondary listing, and enhanced its acceptance in regard to dual primary listing, it will further absorb high-quality Chinese concept stocks to return. Following the implementation of the listing system of Specialist Technology Companies, technology companies with no revenue or profit are allowed to list in Hong Kong, which opens up Hong Kong to more potential technology companies. Since the Stock Exchange introduced the Special Purpose Acquisition Companies (SPAC) listing system, SPAC is becoming a significant opportunity for the Hong Kong market. This series of measures is conducive to revitalising the market and enhancing investor confidence. Meanwhile, the continuous improvement and expansion of the Stock and Bond Connect and the Cross-Border Wealth Management Connect Scheme, and the enhancement of cooperation in the field of equity investment between Hong Kong and China will promote common prosperity of the capital markets of Hong Kong and China.

Looking forward, development opportunities and challenges will coexist in the global and Hong Kong market. The Group will follow the prevailing situation, seize the timing, innovate business models 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, strengthen business synergy and collaboration between Hong Kong and China as well as Singapore, 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". Leveraging on its brand awareness and market influence that has been established in the past, the Group will proactively plan for the customers closely based on their needs, upgrade its product and service systems, enrich product offerings and portfolio, providing customers 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 fundamentally 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 2023, global prevention and control of the COVID-19 are basically relaxed with a number of countries removing all pandemic prevention restrictions. China also begins to manage COVID-19 with measures against “Class B” infectious disease. The world sees gradual recovery of travelling and trade exchanges. International exchanges and cooperation in education are regaining momentum, exhibiting a promising growth on international education market. The Group’s education management and consultation business will embrace significant opportunities. The Group will follow the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the post-pandemic era. It will be 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 innovating the curriculum system and optimising the curriculum structure with comprehensive integration of student personality development, academic planning and international education characteristics, the Group will strengthen cross-campus teaching and research, improve the quality of teaching and students’ performance, and enhance students’ comprehensive quality. Meanwhile, the Group will upgrade the services and products for further education and overseas study, design personalised solutions and carry out remote practical training and tutoring according to the needs and characteristics of school campuses and students, and provide convenient access and services for students to pursue further education and overseas study. The Group will continue to optimise its information technology infrastructure for its services and quality 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

In 2023, as China’s COVID-19 prevention and control measures have become normalised, economic recovery and industrial upgrading will continue to advance. Automobile models will be upgrading more rapidly, the penetration rate of new energy vehicles will increase and China’s passenger car market will be booming in both production and sales. With the continuous improvement in logistics and supply chain, coupled with waves of price cuts and subsidies sweeping across China, automobile consumption will be driven to a new stage, facilitating the growth in automobile and automotive parts industries. The Group will 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 market share and competitiveness while devoting itself to the emerging markets such as the aftersales market, the international market and the rail transit market. The Group commits itself to building first-class R&D centers and regards “Utilisation, R&D and Reserve” as its technical management philosophy, in order to boost the reserve and market promotion and application of new technologies.

In 2023, the Group will continue to optimise and improve its debt structure and financial position by negotiating with creditors to explore alternatives for debt restructuring. The Group will also actively approach potential investors, hoping to introduce new capital and resources. The Group will innovate thinking, change ideas and explore new business areas and development opportunities while promoting the development of existing businesses.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's overall revenue increased by approximately 9.7% to approximately RMB1,199.9 million from approximately RMB1,093.8 million in 2021, of which revenue from automotive parts business increased by approximately 11.1% to approximately RMB1,127.0 million from approximately RMB1,014.7 million in 2021, revenue from financial services business decreased by approximately 21.4% to approximately RMB22.0 million from approximately RMB28.0 million in 2021, and revenue from education management and consultation business decreased by approximately 0.4% to approximately RMB50.9 million from approximately RMB51.1 million in 2021. 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 2022, the Group's overall cost of sales/services increased by approximately 8.0% to approximately RMB997.8 million from approximately RMB923.6 million in 2021, of which cost of sales from automotive parts business increased by approximately 7.9% to approximately RMB959.5 million from approximately RMB889.0 million in 2021, cost of services from financial services business increased by approximately 166.7% to approximately RMB1.6 million from approximately RMB0.6 million in 2021, and cost of services from education management and consultation business increased by approximately 7.9% to approximately RMB36.7 million from approximately RMB34.0 million in 2021. 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 2022, the Group's overall gross profit increased by approximately 18.7% to approximately RMB202.1 million from approximately RMB170.2 million in 2021, of which gross profit from automotive parts business increased by approximately 32.4% to approximately RMB167.5 million from approximately RMB126.5 million in 2021, gross profit from financial services business decreased by approximately 23.3% to approximately RMB20.4 million from approximately RMB26.6 million in 2021, and gross profit from education management and consultation business decreased by approximately 17.0% to approximately RMB14.2 million from approximately RMB17.1 million in 2021.

Gross profit margin

For the year ended 31 December 2022, the Group's overall gross profit margin increased by approximately 1.2 percentage points to approximately 16.8% from approximately 15.6% in 2021, of which gross profit margin of automotive parts business increased by approximately 2.4 percentage points to approximately 14.9% from approximately 12.5% in 2021, gross profit margin of financial services business decreased by approximately 5.1 percentage point to approximately 92.7% from approximately 97.8% in 2021, and gross profit margin of education management and consultation business decreased by approximately 5.6 percentage points to approximately 27.9% from approximately 33.5% in 2021.

Other income and expenses

For the year ended 31 December 2022, the Group recorded other income of approximately RMB46.0 million, representing an increase of approximately RMB7.4 million from approximately RMB38.6 million in 2021. Such income was primarily government grants.

Other losses

For the year ended 31 December 2022, the Group recorded other losses of approximately RMB199.3 million, representing an increase of approximately RMB198.4 million from approximately RMB0.9 million in 2021. Such losses primarily represented the exchange loss arising from the depreciation of RMB.

Expected credit losses

The Group recognised the ECL based on the internal credit rating and historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the period as well as the forecast of future conditions. For the year ended 31 December 2022, the Group's provision on ECL amounted to approximately RMB16.2 million, representing a decrease of approximately RMB2.7 million from approximately RMB18.9 million in 2021.

Selling and distribution expenses

For the year ended 31 December 2022, the Group's selling and distribution expenses decreased by approximately 51.7% to approximately RMB55.3 million from approximately RMB114.6 million in 2021. Such decrease was mainly due to the decrease in sample expenses in the automotive parts business.

R&D expenditure

For the year ended 31 December 2022, the Group's R&D expenditure increased by approximately 7.7% to approximately RMB64.5 million from approximately RMB59.9 million in 2021.

Administrative expenses

For the year ended 31 December 2022, the Group's administrative expenses decreased by approximately 0.9% to approximately RMB136.8 million from approximately RMB138.1 million in 2021.

Finance costs

For the year ended 31 December 2022, the Group's finance costs increased by approximately 0.5% to approximately RMB198.3 million from approximately RMB197.4 million in 2021.

Taxation

For the year ended 31 December 2022, the Group's taxation was the income tax credit of approximately RMB0.3 million, representing a decrease of approximately RMB1.4 million as compared with the income tax credit of approximately RMB1.7 million in 2021.

Loss for the year

For the year ended 31 December 2022, the Group recorded a loss of approximately RMB419.6 million, representing a decrease of approximately 52.6% as compared with a loss of approximately RMB885.6 million in 2021. Such decrease was mainly due to (i) the impairment of goodwill of approximately RMB275.1 million due to discontinued operations in 2021; (ii) the loss arising from fair value changes of financial assets at FVTPL in 2022 decreased by approximately RMB149.1 million as compared to 2021.

Loss per Share

For the year ended 31 December 2022, the basic and diluted loss per Share of the Group amounted to approximately RMB0.28, while the basic and diluted loss per Share amounted to approximately RMB0.88 in 2021 (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, and closely monitors its financial positions, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2022, the Group's net current liabilities amounted to approximately RMB1,291.5 million, representing an increase of approximately 4.3% as compared with that of approximately RMB1,238.8 million as at 31 December 2021.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK\$. As at 31 December 2022, the Group's cash and bank balances amounted to approximately RMB161.4 million, representing a decrease of approximately 26.8% as compared with that of approximately RMB220.4 million as at 31 December 2021. Such decrease was mainly due to the increase in the scale of margin of the financial services business.

The borrowings of the Group are denominated in RMB or HK\$. The Group regularly reviews and monitors the borrowings level. As at 31 December 2022, the Group's total borrowings amounted to approximately RMB1,421.3 million, representing a decrease of approximately 8.4% as compared with that of approximately RMB1,551.3 million as at 31 December 2021. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB854.7 million as at 31 December 2022, representing a decrease of approximately 20.7% as compared with that of approximately RMB1,077.7 million as at 31 December 2021; (ii) borrowings due over one year but within two years amounted to approximately RMB328.9 million as at 31 December 2022, representing an increase of approximately 77.3% as compared with that of approximately RMB185.5 million as at 31 December 2021; (iii) borrowings due over two years but within five years amounted to approximately RMB227.2 million as at 31 December 2022, representing a decrease of approximately 17.8% as compared with that of approximately RMB276.4 million as at 31 December 2021; and (iv) borrowings due over five years amounted to approximately RMB10.5 million as at 31 December 2022, representing a decrease of approximately 11.0% as compared with that of approximately RMB11.8 million as at 31 December 2021.

As at 31 December 2022, approximately RMB1,183.4 million (31 December 2021: approximately RMB1,265.3 million) of the Group's total borrowings were subject to fixed interest rates.

As at 31 December 2022, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 68.0% (31 December 2021: approximately 58.4%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2022, the Group's inventories amounted to approximately RMB147.1 million, representing an increase of approximately 93.3% as compared with that of approximately RMB76.1 million as at 31 December 2021. Such increase was mainly due to the increase in the amount of finished products of the automotive parts business.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2022, the Group's trade receivables amounted to approximately RMB447.5 million, representing an increase of approximately 7.7% as compared with that of approximately RMB415.4 million as at 31 December 2021. Such increase was mainly due to the increase in unsettled amounts due from cash customer of financial service business.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2022, the Group's trade payables amounted to approximately RMB613.0 million, representing an increase of approximately 6.2% as compared with that of approximately RMB577.4 million as at 31 December 2021. 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 2022, the fair value of such investments was approximately RMB293.9 million (31 December 2021: approximately RMB391.3 million), which was equivalent to approximately 10.7% (31 December 2021: approximately 12.8%) of the total assets of the Group as at 31 December 2022. For the year ended 31 December 2022, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB23.4 million (2021: approximately RMB172.5 million).

The principal investment objective of the Group is to explore capital appreciation with a view to enhancing the application of the Group's financial resources and maximising returns for the shareholders of the Company (the "Shareholders"). Investments will be made by the Group in segments and industries that the Directors may determine from time to time having considered, among others, their prospect, returns to the Group and potential risks. Looking ahead, the global stock market will remain volatile due to the uncertainties as a result of trade friction, interest rate fluctuations 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 2022, the Group's capital expenditures amounted to approximately RMB20.3 million (2021: approximately RMB44.6 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 2022, the Group's capital commitments in respect of additions to property, plant and equipment amounted to approximately RMB28.2 million (31 December 2021: approximately RMB3.3 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

PLEDGE OF ASSETS

As at 31 December 2022, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB201.3 million have been pledged to acquire borrowings and Convertible Bonds for the Group. As at 31 December 2021, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB280.1 million and the Group's land, property and plant with a carrying amount of approximately RMB102.2 million have been pledged to acquire borrowings for the Group.

As at 31 December 2022, the Group's restricted bank balances with a carrying amount of approximately RMB248.7 million (31 December 2021: approximately RMB192.1 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 2022, the Group had 1,752 employees (31 December 2021: 1,788 employees). For the year ended 31 December 2022, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB180.3 million (2021: approximately RMB174.2 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, 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 and/or awarded shares 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 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 2022, save as disclosed below, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

Disposals of Shares in Bojun Education

FC Wuxi, Honesty Virtue and Zhongyuan Bank entered into a share purchase agreement on 31 March 2022, pursuant to which FC Wuxi conditionally agreed to sell, and Honesty Virtue conditionally agreed to purchase, 150,000,000 shares of Bojun Education, representing approximately 18.25% of its total issued shares as at 31 March 2022. The consideration for the disposal is approximately HK\$62.8 million, which was used to repay outstanding liabilities owed by the Company to Zhongyuan Bank. For further information, please refer to the announcement of the Company dated 31 March 2022.

Disposals of Shares in Sichuan Guangan AAA Public Co., Ltd.

At the extraordinary general meeting of the Company held on 22 November 2021, the Shareholders passed an ordinary resolution to approve the disposal mandate (the “**Disposal Mandate**”) to allow the Directors to dispose of up to 39,000,000 shares (the “**Guangan Shares**”) of Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司) (“**Guangan AAA**”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600979), representing approximately 3.16% of the total issued share capital of Guangan AAA as at 22 November 2021, during the 12-month period from 22 November 2021 (the “**Mandate Period**”). During the Mandate Period, 39,000,000 Guangan Shares had been disposed of under the Disposal Mandate. For further information, please refer to the announcements of the Company dated 10 September 2021 and 22 November 2021, and the circular of the Company dated 29 October 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2022, 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. For the year ended 31 December 2022, there had been no material changes of the corporate governance practices as compared with the information disclosed in the 2021 annual report of the Company.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code for the year ended 31 December 2022.

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 2022.

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 2022, no share options were granted or agreed to be granted under the Share Option Scheme 2021 by the Company. As at 31 December 2022, 10,000,000 share options granted under the Share Option Scheme 2011 were outstanding and no share options under the Share Option Scheme 2021 were outstanding.

SHARE AWARD SCHEME

On 5 July 2022, the Board resolved to adopt a share award scheme (the “**Share Award Scheme**”), which will remain in force for a period of 10 years from the date of its adoption. The Board would determine the timing of awards, list of selected persons, the timing and condition of vesting and number of awarded shares based on the overall results and performance of the Group and contributions made by the eligible persons, as part of the overall remuneration system of the Group.

For the year ended 31 December 2022, no awarded shares were granted or agreed to be granted under the Share Award Scheme by the Company. As at 31 December 2022, no awarded shares remain unvested.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2022, 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 2022, 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 to the High Court of Hong Kong 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 announcements of the Company 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: 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 2022 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 29 March 2023. 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 2022:

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 RMB421 million for the year ended 31 December 2022. As at 31 December 2022, the Group had accumulated losses and deficit in equity of approximately RMB1,365 million and approximately RMB1,027 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,292 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,286 million, while its bank balances and cash amounted to approximately RMB161 million only. In addition, as at 31 December 2022, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB388 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 of the Company 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 negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024; (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 terms and conditions of the Convertible Bonds was amended with effect from 16 May 2022 and the maturity date was extended to 15 May 2023. In addition, according to the amendment and restatement agreement of the Convertible Bonds, it can be further extended to 15 May 2024, with written agreements of the holders of the Convertible Bonds. The Group is currently in active negotiation with the holders of the Convertible Bonds for the extension of the maturity date to 15 May 2024;
- (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. In July 2022, the Company had entered into settlement agreements with certain creditors to issue consideration Shares to these creditors to settle debts of approximately HK\$51 million;
- (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 2022. 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 2022. 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. 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 2022 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 future. 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 Friday, 9 June 2023. 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 Tuesday, 6 June 2023 to Friday, 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023, 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 2022, 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.

ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

Pursuant to the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections. The Company proposes to take the opportunity to modernise and provide flexibility to the Company in relation to the conduct of general meetings. As such, the Board proposed to amend and restate the memorandum of association and articles of association of the Company (the “**Memorandum and Articles of Association**”) for the purposes of, among others, (i) allowing a general meeting to be held as an electronic meeting or a hybrid meeting; (ii) bringing the articles of association of the Company in line with amendments made to the Listing Rules and applicable laws of the Cayman Islands; and (iii) making other consequential and housekeeping changes. The Board also proposed to adopt the amended and restated Memorandum and Articles of Association in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association. At the annual general meeting of the Company held on 23 June 2022, the Shareholders passed a special resolution for approval to adopt the amended and restated Memorandum and Articles of Association.

APPRECIATION

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

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

Hong Kong, 29 March 2023

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*