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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

RMB' million	**For the six months ended 30 June 2016** (unaudited)	**2015** (unaudited)	**Increase**
Revenue	677.37	470.64	43.9%
Profit (loss) for the period attributable to owners of the Company	58.77	(10.59)	655.0%
Basic earning (loss) per share	RMB0.10	RMB(0.03)	433.3%

RMB' million	**As at 30 June 2016** (unaudited)	**As at 31 December 2015** (audited)	**Increase**
Total assets	2,918.75	1,877.57	55.5%
Equity attributable to owners of the Company	1,111.65	628.70	76.8%
Net asset value per share *(note)*	RMB1.68	RMB1.14	47.4%

Note: Net asset value per share is arrived at by dividing equity attributable to owners of the Company by the number of issued shares as at the end of the period.

INTERIM RESULTS

The Board (the "**Board**") of directors (the "**Directors**") of China First Capital Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce its unaudited interim consolidated results for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended	
	NOTES	**30.6.2016**	30.6.2015
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**677,367**	470,636
Cost of sales		**(536,866)**	(368,667)
Gross profit		**140,501**	101,969
Fair value change of held for trading investments	*4*	**90,952**	–
Share of results in joint ventures		**(164)**	–
Other income (expenses) and other gains (losses)	*5*	**(997)**	(11,387)
Selling and distribution expenses		**(35,175)**	(27,728)
Research and development expenditure		**(21,732)**	(19,935)
Administrative expenses		**(82,355)**	(32,174)
Finance costs		**(19,703)**	(21,069)
Profit (loss) before tax	*6*	**71,327**	(10,324)
Taxation	*7*	**(9,423)**	(778)
Profit (loss) for the period		**61,904**	(11,102)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss			
Exchange difference arising on translation of foreign operation		**(2,717)**	(330)
Fair value change on available-for-sale investment		**(5,310)**	–
Profit (loss) and total comprehensive income (expense) for the period		**53,877**	(11,432)
Profit (loss) for the period attributable to:			
Owners of the Company		**58,765**	(10,594)
Non-controlling interests		**3,139**	(508)
		61,904	(11,102)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**51,665**	(10,924)
Non-controlling interests		**2,212**	(508)
		53,877	(11,432)
Earnings (loss) per share – Basic (RMB)	*9*	**0.10**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	**30.6.2016**	31.12.2015
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**501,451**	468,326
Prepaid lease payments		**132,789**	134,154
Interest in an associate		**2,500**	2,500
Interests in joint ventures	*11*	**449,408**	–
Intangible assets		**410**	419
Available-for-sale investment	*12*	**–**	69,536
Goodwill		**29,655**	29,655
Goodwill, provisional		**101,763**	–
Deferred tax assets		**4,235**	3,406
		1,222,211	707,996
CURRENT ASSETS			
Inventories		**106,028**	101,998
Loan receivables	*13*	**99,759**	43,234
Trade and other receivables	*14*	**511,254**	505,227
Amount due from a joint venture		**66**	–
Prepaid lease payments		**3,007**	3,007
Held for trading investments	*15*	**537,057**	–
Available-for-sale investment	*12*	**86,680**	–
Restricted bank balances		**182,224**	113,180
Bank balances and cash		**170,463**	402,929
		1,696,538	1,169,575
CURRENT LIABILITIES			
Amount due to an associate		**2,943**	3,832
Trade and other payables	*16*	**1,042,770**	561,670
Advance from customers		**4,378**	2,851
Borrowings – due within one year	*17*	**553,282**	436,508
Income tax payable		**25,307**	23,472
Deferred income		**750**	806
Provisions		**22,256**	17,120
		1,651,686	1,046,259
NET CURRENT ASSETS		**44,852**	123,316
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,267,063**	831,312

	NOTES	**30.6.2016**	31.12.2015
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*17*	**28,749**	62,416
Other payables	*16*	**557**	544
Deferred income		**18,501**	14,316
		47,807	77,276
		1,219,256	754,036
OWNERS' EQUITY			
Share capital	*18*	**54,566**	45,311
Reserves		**1,164,690**	708,725
Equity attributable to:			
Owners of the Company		**1,111,653**	628,695
Non-controlling interests		**107,603**	125,341
		1,219,256	754,036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Surplus reserves *RMB'000*	Translation reserve *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*	Total owners' equity *RMB'000*
At 1 January 2015 (audited)	31,318	186,462	42,917	26,293	(516)	102,900	–	389,374
Loss for the period	–	–	–	–	–	(10,594)	(508)	(11,102)
Exchange difference arising on translation of foreign operation	–	–	–	–	(330)	–	–	(330)
Total comprehensive expense for the period	–	–	–	–	(330)	(10,594)	(508)	(11,432)
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	4,124	4,124
As at 30 June 2015 (unaudited)	31,318	186,462	42,917	26,293	(846)	92,306	3,616	382,066
Loss for the period	–	–	–	–	–	(12,037)	(4,571)	(16,608)
Exchange difference arising in translation of foreign operation	–	–	–	–	1,528	–	–	1,528
Total comprehensive expense for the period	–	–	–	–	1,528	(12,037)	(4,571)	(15,080)
Issue of new shares	13,993	263,012	–	–	–	–	–	277,005
Non-controlling interests arising on deemed partial disposal of a subsidiary	–	–	–	–	–	(16,251)	126,296	110,045
As at 31 December 2015 (audited)	45,311	449,474	42,917	26,293	682	64,018	125,341	754,036
Profit for the period	–	–	–	–	–	58,765	3,139	61,904
Exchange difference arising on translation of foreign operation	–	–	–	–	(1,790)	–	(927)	(2,717)
Fair value change on available for sale investment	–	–	(5,310)	–	–	–	–	(5,310)
Profit and total comprehensive income for the year	–	–	(5,310)	–	(1,790)	58,765	2,212	53,877
Transfers	–	–	(8,010)	–	–	8,010	–	–
Issue of new shares	9,255	422,038	–	–	–	–	–	431,293
Capital injection by non-controlling shareholder of a subsidiary	–	–	–	–	–	–	10,050	10,050
Dividends recognised as a distribution by a subsidiary	–	–	–	–	–	–	(30,000)	(30,000)
As at 30 June 2016 (unaudited)	54,566	871,512	29,597	26,293	(1,108)	130,793	107,603	1,219,256

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**99,261**	13,578
INVESTING ACTIVITIES		
Additions of property, plant and equipment	**(45,412)**	(28,284)
Advance of loan receivables	**(64,085)**	(19,596)
Cash received from (payments for) acquisition of subsidiaries	**173,500**	(8,030)
Deposit paid for acquisition of property, plant and equipment	**–**	(8,523)
Interest received	**472**	–
Other investing cash flows	**–**	874
Payments for purchase of held for trading investments	**(81,285)**	(9,597)
Placement of restricted bank deposits	**(182,224)**	(99,200)
Release of restricted bank deposits	**113,180**	84,290
Purchase of interests in joint ventures	**(449,573)**	–
Repayment of loan receivables	**155,246**	–
NET CASH USED IN INVESTING ACTIVITIES	**(380,181)**	(88,066)
FINANCING ACTIVITIES		
Capital injection from non-controlling shareholders	**10,050**	–
Dividend paid to non-controlling shareholder of a subsidiary	**(30,000)**	–
Interest paid	**(19,703)**	(21,069)
New borrowings raised	**266,929**	164,558
Repayment of borrowings	**(183,822)**	(123,983)
Government subsidy	**5,000**	1,000
NET CASH FROM FINANCING ACTIVITIES	**48,454**	20,506
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(232,466)**	(53,982)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**402,929**	86,763
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**170,463**	32,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has adopted and applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Products/services within each operating segment

The segment information reported was determined by the types of products/services and the types of customers to which the products are sold/services are provided, which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, who are the chief operating decision makers (the "**CODM**") of the Group, for the purposes of resource allocation and assessment of performance. During the period ended 30 June 2016, the segment of "financial and advisory services" comprise more related type of services alongside the expanded business.

The Group has reported and operating segments as follows:

- Automobile shock absorbers – 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.

- Financial and advisory services – engaged in the business of provision of immigration consultancy and advisory services, asset management services, financial credit services, securities brokerage services and overseas financial services.

(b) Segment revenue and segment results

	Segment revenue Six months ended		Segment results Six months ended	
	30.6.2016	30.6.2015	**30.6.2016**	30.6.2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Automobile shock absorbers	**673,247**	470,636	**136,424**	101,969
Financial and advisory services	**4,120**	–	**4,077**	–
Total segment and consolidated	**677,367**	470,636	**140,501**	101,969
Fair value change of held for trading investments			**90,952**	–
Share of results in joint ventures			**(164)**	–
Other income (expenses) and other gains (losses)			**(997)**	(11,387)
Selling and distribution expenses			**(35,175)**	(27,728)
Research and development expenditure			**(21,732)**	(19,935)
Administrative expenses			**(82,355)**	(32,174)
Finance costs			**(19,703)**	(21,069)
Profit (loss) before tax			**71,327**	(10,324)

Revenue reported above represents revenue generated from sales of goods/provision of services to external customers. There was no inter-segment sales during the six months ended 30 June 2016 and 2015.

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.

(c) Geographical information

The Group principally operates in the People's Republic of China ("**China**" or "**PRC**") (country of domicile of the operating subsidiaries) and over 95% of the revenue reported above are generated from external customers within the PRC.

4. FAIR VALUE CHANGE OF HELD FOR TRADING INVESTMENTS

	Six months ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fair value change of held for trading investments	**90,952**	–

The amounts represent fair value change of held for trading investments of securities listed on The Stock Exchange of Hong Kong Limited.

5. OTHER INCOME (EXPENSES) AND OTHER GAINS (LOSSES)

	Six months ended 30.6.2016 RMB'000 (unaudited)	Six months ended 30.6.2015 RMB'000 (unaudited)
Donation	**(301)**	(51)
Exchange gain (loss), net	**4,508**	(360)
Government grants	**1,485**	1,000
Gain from scrap sales	**1,376**	1,216
Income from suppliers on defects claim	**324**	16
Interest income from bank deposits	**1,050**	874
Interest income from non-related parties	**2,042**	1,074
Investment income from available-for-sale investment	**–**	6,894
Impairment loss on doubtful debts	**(4,351)**	(17,819)
Impairment loss on inventory	**(12,546)**	(6,605)
Loss from change in fair value of financial assets classified as held for trading	**–**	(227)
Release of asset-related government grants	**848**	602
Storage services income	**1,946**	2,097
Others	**2,622**	(98)
	(997)	(11,387)

6. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	Six months ended 30.6.2016 RMB'000 (unaudited)	Six months ended 30.6.2015 RMB'000 (unaudited)
Employee benefits expenses (including directors):		
– salaries and other benefits	**85,572**	49,735
– retirement benefit scheme contributions	**5,570**	4,237
Total staff costs	**91,142**	53,972
Cost of inventories recognised as expenses (included in cost of sales and research and development expenditure)	**515,165**	379,977
Depreciation of property, plant and equipment	**13,840**	11,362
Release of prepaid lease payments	**1,365**	1,431

7. TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tax expense comprises:		
Current tax expense	**10,251**	2,499
Deferred tax credit	**(828)**	(1,721)
	9,423	778

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated assessable profit for the period.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation of Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Besides, with effect from 1 January 2008, one subsidiary is qualified as high-technology entity (under the new PRC Enterprise Income Tax Law) and is eligible to a reduced PRC EIT rate of 15% through to 2018.

8. DIVIDENDS

The directors of the Company have determined that no dividend will be declared in respect of the six months ended 30 June 2016 and 2015. No dividends were paid, declared or proposed during the six months ended 30 June 2016 and 2015.

9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2016	30.6.2015
	(unaudited)	(unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share (RMB'000)	**58,765**	(10,594)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**584,385,000**	384,000,000

No diluted earnings (loss) per share are presented as there were no potential ordinary shares outstanding during the periods or as at the end of reporting periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB27,303,000 (six months ended 30 June 2015: approximately RMB8,822,000), for the purpose of upgrading its manufacturing capacity, including RMB1,553,000 addition through acquisition of a subsidiary.

In addition, during the current interim period, the Group had approximately RMB19,662,000 (six months ended 30 June 2015: approximately RMB18,293,000) addition to construction in progress.

11. INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures are as follows:

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Cost of interests in joint ventures	**449,573**	–
Share of results and other comprehensive expenses during the period	**(165)**	–
	449,408	–

12. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Unlisted investment:		
– Limited partnership *(Note a)*	**–**	69,536
– Assets management portfolio *(Note b)*	**86,680**	–

Notes:

a: On 28 April 2016, the Group has transferred its entire interests in available-for-sale investment, with carrying amount of Hong Kong Dollars ("**HK$**") 83,000,000 (equivalent to RMB69,462,000), as partial payment during the acquisition of Brilliant Rich Holdings Limited ("**Brilliant Rich**").

b: First Capital Fund Management Company Limited ("**FC Fund**"), a subsidiary of Brilliant Rich, invested RMB100,000,000 in an assets management portfolio, with quoted price provided by respective bank. As at 30 June 2016, the fair value of the assets management portfolio is RMB86,680,000, which resulting a fair value change of RMB5,310,000 from the date the Group obtained control over FC Fund.

13. LOAN RECEIVABLES

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Loan receivables – principals	**89,218**	43,234
Loan receivables – interests	**10,541**	–
	99,759	43,234

Included in the balance are (i) loan of HK$15,000,000 (equivalent to RMB12,821,000) to a third party, for a period of 16 months, carrying interest at 15% per annum; (ii) loans of HK$62,500,000 (equivalent to RMB53,419,000) to third parties, for a period of 12 months and carrying interest from 8% to 24% per annum; (iii) loan of RMB1,200,000 to a shareholder of Group's joint venture, 前海鼎革投資管理(深圳)有限公司, without fixed terms and carrying interest of 5% per annum; (iv) loan of RMB21,778,000 to third parties, for a period of 10 months and carrying interest at 12% per annum.

Up to the date of the condensed consolidated financial statements, the loan receivables amounting to HK$21,772,000 (equivalent to RMB18,609,000) has been repaid, and the management of the Company is of the view that all the loan receivables are in good condition and no indication of impairment is noted.

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**394,724**	392,224
Less: allowance for doubtful debts	**(16,658)**	(12,307)
	378,066	379,917
Bills receivables	**46,103**	76,626
Other receivables	**51,138**	32,579
Less: allowance for doubtful other debts	**–**	(7,921)
	51,138	24,658
Advances to suppliers	**33,320**	20,822
Value-added tax recoverable	**2,627**	3,204
	511,254	505,227

The following is an analysis of trade receivables by age, presented based on invoice date which approximated the date of revenue recognition, net of allowance for doubtful debts, at the end of each reporting period, is as follows:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**349,565**	366,503
91 to 180 days	**25,219**	9,659
181 to 365 days	**3,282**	3,755
	378,066	379,917

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

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**41,023**	75,642
91 to 180 days	**5,080**	984
	46,103	76,626

15. HELD FOR TRADING INVESTMENTS

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Listed securities, equity securities listed in HK	**537,057**	–

16. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**409,800**	357,438
Bills payables	**136,950**	112,680
Other payables for acquisition of subsidiaries	**15,550**	–
Other payables for purchase of listing securities	**364,820**	–
Other payables to employees	**834**	813
Other tax payable	**31,898**	32,547
Other accruals	**28,474**	25,969
Payroll and welfare payables	**27,631**	13,486
Others	**27,370**	19,281
	1,043,327	562,214
Less: Amount shown under non-current liabilities	**(557)**	(544)
Total trade and other payables shown under current liabilities	**1,042,770**	561,670

The following is an analysis of trade payables by age, presented based on invoice date at the end of the reporting periods:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**340,683**	319,986
91–180 days	**64,246**	33,990
181–365 days	**2,273**	1,166
1–2 years	**2,598**	2,296
	409,800	357,438

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

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**7,000**	4,260
31 to 60 days	**57,610**	12,430
61 to 90 days	**30,960**	21,450
91 to 180 days	**41,380**	74,540
	136,950	112,680

17. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB180,000,000 (six months ended 30 June 2015: RMB164,558,000) carrying interest at variable market rates ranging from 4.35% to 7.50% (six months ended 30 June 2015: 5.36% to 7.50%) per annum and are repayable throughout to the end of June 2023. Apart from the bank borrowings, the Group obtained other borrowings from a joint venture company amounting to RMB74,786,000 with interest rate of 0.06% per annum, from third parties amounting to RMB12,143,000 with carrying interest rate from nil to 12% per annum. Other borrowings are all repayable within one year.

18. SHARE CAPITAL

	Number of shares	Share capital *HK$*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016	10,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2015	384,000,000	38,400,000
Issue of shares *(note a)*	76,800,000	7,680,000
Issue of shares *(note b)*	92,160,000	9,216,000
At 31 December 2015	552,960,000	55,296,000
Issue of shares *(note c)*	110,592,000	11,059,000
At 30 June 2016	663,552,000	66,355,000

Note a: On 26 October 2015, an aggregate of 76,800,000 shares were allotted and issued at the placing price of HK$2.00 per share.

Note b: On 23 December 2015, an aggregate of 92,160,000 shares were allotted and issued at the placing price of HK$2.00 per share.

Note c: On 10 May 2016, an aggregate of 110,592,000 shares were allotted and issued as part of consideration for acquiring a subsidiary, Brilliant Rich.

	30.6.2016 ***RMB'000*** **(unaudited)**	31.12.2015 *RMB'000* (audited)
Share capital presented in the condensed consolidated statement of financial position	**54,566**	45,311

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group is mainly engaged in automotive component business. Since the end of 2014, the Group has started moving into certain new businesses, including asset management services, financial credit services, securities brokerage services and overseas financial services. In the first half of 2016, the Group continued to diversify its business by stepping up its efforts in the aforesaid businesses and developing its education investment business. By optimizing its business portfolio, shifting its principal focus into education investment and obtaining support from its own diversified financial service business entities, the Group hopes to achieve rapid market growth, improve its profitability, thereby delivering long-term and stable cash flow and creating favorable investment returns for its shareholders and partners.

The official inclusion of the Group within the MSCI China Small Cap Index in June 2016 is strong enough to prove that the strategic business transformation of the Group has been widely recognized by international capital markets.

BUSINESS REVIEW

Education Investment Business

At the end of 2015, the Standing Committee of the National People's Congress promulgated the "Decision on Amendment of the 'Education Law of PRC' and the 'Higher Education Law of PRC'", removing the provisions that "no organization or individual may establish or run a school or any other educational institution for profit-making purposes" and that "the establishment of an institution of higher learning must not take profit making as its object". The elimination of these provisions means that investment in the PRC's private education should soon usher in a bright future. As the economy in Mainland China is growing at a stable pace in recent years, the implementation of "the universal two-child policy" across the country and the parents' increasing awareness of quality education have contributed to a robust development of education-related industries, causing investment as well as merger and acquisition activities in respect to education to become more and more attractive. The statistics of Parthenon-EY, a world-renowned educational consultancy institution, demonstrates that the potential market scale, as the main segments in the PRC's private education sector reached US$28.0 billion with an annual growth rate over 10%. In view of this potential, the Group has expanded its business to the investment in the education industry, achieving a breakthrough in its development during the period under review.

During the six months ended 30 June 2016 ("**Period**" or "**Period under Review**"), the Group continued to explore business opportunities in the field of education, with investment on education-related businesses potential.

In April 2016, the Group acquired Brilliant Rich Holdings Limited ("**Brilliant Rich**"). Brilliant Rich mainly engages in private investment funds management, equity investment, securities investment and provision of investment management and consultancy services in the PRC. This acquisition would provide a direct platform for the Group's education investment, and serve as adequate preparation for the investment in, or provision of financial services for, the potential educational projects in the future. In addition, First Capital Fund Management Company Limited (首控基金管理有限公司) ("**FC Fund**"), a subsidiary of Brilliant Rich, entered into a strategic cooperation agreement with Shenzhen Culture Assets and Equity Exchange ("**SZCAEE**") for the joint establishment of the Education Special Section of the Cultural Fourth-board Market (an over-the-counter market for educational enterprises). As the strategic partner of SZCAEE, FC Fund will provide companies/entities listed on the Cultural Fourth-board Market with services, including investment, financing, public listing and mergers and acquisitions as well as relevant consultancy.

In June 2016, the Group invested HK$402.8 million to acquire 106 million shares in Virscend Education Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1565), which is the largest provider of private education services in Southwest China from preschool to twelve-grade level ("**K-12**"). In addition, Shenzhen Qianhai First Capital Financial Leasing Company Limited (深圳前海首控融資租賃有限公司) ("**FC Financial Leasing**") and FC Fund, both of which are wholly-owned subsidiaries of the Group, entered into the partnership agreement in relation to the formation of a limited partnership with Central China Asset Management Company Limited (中原資產管理有限公司) ("**Central China Assets**") (an investment and financing platform of the Finance Department of Henan Province) and Central China Equity Investment Management Company Limited (中原股權投資管理有限公司) (a subsidiary of Central China Assets) for mutual investment in educational projects.

During the Period under Review, the Group entered into the transaction agreements to acquire 51% interest in Jinan Shijiyinghua Experiment School (濟南世紀英華實驗學校), a Shandong-based boarding school providing K-12 education to students. On 24 August 2016, the Group entered into the transaction agreements to acquire 70% interest in Kunming Professional College of Arts ("**KPCA**"), a vocational college providing various trainings including music, performing arts, media studies and design studies for students.

Financial Services Business

During the Period under Review, First Capital Securities Limited ("**FC Securities**"), a wholly-owned subsidiary of the Group with a license for regulated Type 1 activities of the Securities and Futures Commission (the "**SFC**"), which is primarily engaged in dealing in securities has commenced the operation in February 2016. FC Securities has also undertaken the underwriting of shares for listed enterprises including Human Health Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1419) and China Golden Classic Group Limited, a company listed on the growth enterprise market of the Stock Exchange (stock code: 8281) beyond providing securities dealing services for individual customers. FC Securities has actively developed all types of relevant businesses during the Period under Review, including the commencement of securities trading business via the Shanghai-Hong Kong Stock Connect in May 2016 and obtaining approval for margin business from the SFC in June 2016.

First Capital International Finance Limited ("**FC International Finance**"), a wholly-owned subsidiary of the Group, has proactively followed up on the application of the license for regulated Type 6 activities, advising on corporate finance, under the provisions of the Securities and Futures Ordinance during the Period under Review. Once approved, this is expected to lay a foundation to further expand the merger and acquisition activities, merge and listing financial consultancy services of the Group in the future.

During the Period under Review, the Group's asset management services, financial credit service and overseas financial services have achieved good results. The segment of financial services business has made a contribution of RMB4.1 million to the Group's revenue.

Automotive Components Business

In the first half of 2016, the automobile market in China continued to recover with a sales volume of automobiles of approximately 12.83 million units, an increase of approximately 8.14% over the corresponding period of 2015 and an increasing growth rate of 6.71 percentage points year-on-year (source: China Association of Automobile Manufacturers). With its refined production management, sustainable investment in fixed assets as well as research and development, and active market development, the Group's automotive components business has achieved steady growth in the Period under Review.

Overall, business transformation of the Group achieved significant progress during the first half of 2016 and its stock was included as a constituent of the MSCI China Small Cap Index in June 2016, reflecting the support and recognition from the international capital markets for its development strategy to engage in education investments sector and expand the financial services business.

OUTLOOK

Education Investment Business

In recent years, the development of education has been receiving greater priority in the PRC and a range of favorable policies have been introduced. At the end of 2015, the Education Law of PRC and the Higher Education Law of PRC removed the provision which prohibited education activities from being carried out for profit-making purposes. The "Amendment of the Law of the PRC on the Promotion of Privately-run Schools (Draft)" (《民辦教育促進法修正案（草案）》) is likely to be reviewed for the third time in the second half of 2016, pursuant to which, profit-making and non-profit private schools are to be managed by category. "The universal two-child policy" also brings potential population growth benefits. All of these factors together should contribute to a historically supportive policy for private education. From an investment perspective, as the education industry is less affected by economic cycles and offers high and steady return, the sector should become an attractive option for institutional investors to implement asset mergers and acquisitions and inject financial investment. Judging from the level of demand, as the disposal income of mainland China's residents increases, educational expenses should rise year after year, thus creating huge demand in the education market.

The management of the Group believes that the private education is currently in a growth stage characterized by low market concentration, considerable demand, huge potential profit and promising prospects. Thus, now is the optimal time to expand business by seizing the opportunity of first-mover advantage. Therefore, in the second half of this year, the Group is continuing to explore and invest in more quality education projects by focusing on K-12 education, higher education, vocational education, overseas education, and preschool education, etc. to forge a presence covering the entire chain of education.

With regard to the giant development potential of the PRC market, in the future, the Group is committed to expand its merger and acquisition efforts to acquire quality brand education resources and introduce into the PRC. For this purpose, the Group has appointed Mr. He Qingrong, the former director of the international cooperation department of New Oriental Education & Technology Group Inc., as the deputy chief executive officer of the Group in July this year. Mr. He is responsible for the global promotion and operation of the Group's branding and merger and acquisition activities in the overseas education industry, integration of international and domestic education resources, and recruitment of international high-end talents in the education management field. In addition, CFCG Investment Partners International (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Group, has started operation in August this year, which will improve and perfect the overseas arrangement. The Group will also continue to establish branches in the United Kingdom ("**U.K.**"), Australia and other countries with rich education resources. The management believes that such initiatives are beneficial for the Group to more effectively seize global opportunities, thereby integrating international and domestic education resources, to build a leading domestic and international well-known brand of education to create attractive value returns for its shareholders.

Financial Services Business

The Group will endeavour to expand its diversified financial services business by strengthening its "Full License" advantage so as to be fully in line with education investment business in the mainland China and overseas markets. Apart from financing in stock market, the Group will also establish private equity funds with partners like financial institutions to raise funds for investment projects. These funds will be used to facilitate the growth of its educational projects-related investment portfolio, leading it to become a platform for education business operations, investments and financings, which is driven by "Education plus Financial Services".

Despite the weakening consumptive power of the market, the cooling investing mood as well as the intense competition in the traditional securities industry, the strengthened markets connectivity of the stock markets in the mainland China and Hong Kong will create opportunities for the development of securities and financial services industry. On 16 August 2016, CSRC and SFC jointly signed the "Joint Announcement" in relation to the "Shenzhen-Hong Kong Stock Connect", which symbolized the official commencement of preparation for the implementation of the "Shenzhen-Hong Kong Stock Connect"; meanwhile, the limit of aggregate quota in "Shanghai-Hong Kong Stock Connect" has been cancelled. The Group expects that FC Securities, its wholly-owned subsidiary that mainly engaged in trading securities, would benefit. The Group would continue grasping the opportunities and support expansion of FC Securities' business in the "Shanghai-Hong Kong Stock Connect" as well as the "Shenzhen-Hong Kong Stock Connect" and "Margin", so as to increase revenue by further exploring the demand in securities investment of high net worth customers in the mainland China.

In addition, the decrease in exchange value of Renminbi ("**RMB**") caused by the slowdown of domestic economic growth and compounded by certain geopolitical changes, such as the withdrawal of the United Kingdom from the European Union, has led to fluctuations in global capital markets, which has further stimulated the desire of mainland China high net worth individuals for overseas assets, therefore benefiting the asset management business of the Group.

After obtaining the SFC license to carry out Type 6 regulated activities by FC International Finance, it will develop quickly in merger and acquisition and listing financial consultancy business, such as providing pre-listing advisory and merger and acquisition transaction advisory services, so as to provide more comprehensive investment and financing services to individual clients as well as institutional and corporate customers of the Group.

Automobile Component Business

The development strategy of the Group in the automobile component business has proven effective, and it will promote the business growth of this sector through proactive and consistent implementing of such measures in the future, which include but are not limited to:

(1) continued enhancing of production capacity and efficiency;

(2) exploring new customers and creating new products to increase market share;

(3) advancing the level of research and development and technologies to strengthen competitiveness; and

(4) maintaining cost advantages.

The Group will make the best of the surplus cash flow generated from the automobile component business to finance the education investment in education and financial services businesses.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group's revenue for sales of automotive components increased by 43.1% to RMB673.2 million from RMB470.6 million in the corresponding period of 2015. Such increase was primarily due to new purchase orders and enhancement of the market share. Meanwhile, the Group's financial services business also contributed a revenue of RMB4.1 million to the Group.

Cost of sales

For the six months ended 30 June 2016, the Group's cost of sales of automotive components increased by 45.6% to RMB536.8 million from RMB368.7 million in the corresponding period of 2015, which was mainly driven by the increased sales volume of products.

Gross profit

For the six months ended 30 June 2016, the overall gross profit of the Group increased by 37.7% to RMB140.5 million from RMB102.0 million in the corresponding period of 2015. It was mainly due to the increase in the sales of automotive components business. The gross profit derived from financial services business was RMB4.1 million.

Gross profit margin

For the six months ended 30 June 2016, overall gross profit margin of the Group decreased by 1 percentage point to 20.7% from 21.7% in the corresponding period of 2015. It was mainly due to the decrease in products' selling prices and the increase of production costs of automotive components business.

Fair value change of held for trading investments

For the six month ended 30 June 2016, the fair value change of held for trading investments was RMB91.0 million. It was due to fair value change of held for trading investments of securities listed on the Stock Exchange.

Other income (expenses) and other gains (losses)

The other expenses and other losses decreased by 91.2% from a loss of RMB11.4 million in the corresponding period of 2015 to a loss of RMB1.0 million for the six months ended 30 June 2016. Such decrease was mainly due to the following factors: (i) decrease in impairment losses by approximately RMB7.5 million; and (ii) increase in exchange gain by approximately RMB4.9 million.

Selling and distribution expenses

Selling and distribution expenses increased by 27.1% from RMB27.7 million in the corresponding period of 2015 to RMB35.2 million for the six months ended 30 June 2016. Such increase was primarily due to an increase in sales volume of the automotive components business resulting in an increase in the transportation costs, and the increase in after-sale expenses in response to customers' requirement.

Research and development expenditure

Research and development expenditure increased by 8.3% from RMB19.9 million in the corresponding period of 2015 to RMB21.7 million for the six months ended 30 June 2016. Such increase in the expenses was primarily due to (i) increased efforts on the research of applying the shock absorber related technology to different brands and models of automobiles; and (ii) additional development costs of shock absorbers for newly-developed automobiles.

Administrative expenses

The administrative expenses increased by 155.9% from RMB32.2 million in the corresponding period of 2015 to RMB82.4 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in the office and administrative expenses from the commencement of new businesses, including expenses such as rentals of office premises, wages, welfare and related social insurance premium for administrative staff.

Finance costs

Finance costs decreased by 6.6% from RMB21.1 million in the corresponding period of 2015 to RMB19.7 million for the six months ended 30 June 2016. Such reduction was mainly due to decrease in the borrowing interest rate, which lead to a decrease in interest expenses.

Income tax expense

For the six months ended 30 June 2016, the Group's overall income tax expense increased by 1,075.0% from RMB0.8 million in the corresponding period of 2015 to RMB9.4 million. The increment was mainly due to the income tax expense occurred amounting to RMB7.0 million through dividend distribution from Nanyang Cijan Auto Shock Absorber Co., Ltd. ("**Nanyang Cijan**") to its controlling shareholder, Guang Da (China) Automotive Components Holdings Limited, a Hong Kong based subsidiary of the Group, and the increase of income tax expense generated by Nanyang Cijan's own business.

Profit (loss) for the period

For the six months ended 30 June 2016, the Group recorded a profit of RMB61.9 million as compared with a loss of RMB11.1 million in the corresponding period of 2015. It was mainly due to the fair value change of held for trading investments and the increase in overall gross profit during the period.

Basic earnings (loss) per share

For the six months ended 30 June 2016, the basic earning per share amounted to RMB0.10 while the basic loss per share amounted to RMB0.03 for the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 30 June 2016, the Group's net current assets decreased by 63.6% to RMB44.9 million from RMB123.3 million as at 31 December 2015. Such decrease was mainly due to the decrease in bank and cash balance and increase in trade and other payable.

FINANCIAL POSITION AND BANK BORROWINGS

As at 30 June 2016, the Group's total cash and bank balances, amounted to approximately RMB170.5 million, representing a decrease of approximately 57.7% as compared with that of approximately RMB402.9 million, most of which were denominated in RMB and HK dollars as at 31 December 2015. The decrease was mainly due to payment for investments and development for the education investment business and financial services business, to facilitate the diversification of the Group's business.

As at 30 June 2016, the Group's total borrowings amounted to approximately RMB582.0 million, representing an increase of approximately 16.7% as compared with that of approximately RMB498.9 million as at 31 December 2015. Of which, short-term borrowings due within one year amounted to approximately RMB553.3 million, representing an increase of approximately 26.8% as compared with that of approximately RMB436.5 million as at 31 December 2015, while mid-to-long-term borrowings due after one year and more amounted to approximately RMB28.7 million, representing a decrease of approximately 54.0% as compared with that of approximately RMB62.4 million as at 31 December 2015.

As at 30 June 2016, the Group's gearing ratio, presented as a percentage of total borrowings and bills payable divided by total assets, was approximately 24.6% (31 December 2015: approximately 32.6%).

WORKING CAPITAL

As at 30 June 2016, the Group's net inventories, mainly comprising raw materials, work-in-progress and finished products, amounted to approximately RMB106.0 million, representing an increase of 3.9% from approximately RMB102.0 million as at 31 December 2015. The management of the Group reviews and monitors the inventory level on a regular basis. For the six months ended 30 June 2016, the average inventory turnover days were 34.9 days (for the six months ended 30 June 2015: 56.3 days). Inventory turnover days were arrived at by dividing the average of the opening and ending balances of inventory during the period by cost of sales for the period and multiplied by 180 days.

As at 30 June 2016, the Group's trade receivables amounted to approximately RMB378.1 million, representing a decrease of 0.5% from approximately RMB379.9 million as at 31 December 2015. For the six months ended 30 June 2016, the average turnover days of trade receivables were 100.7 days (for the six months ended 30 June 2015: 123.2 days). The turnover days of trade receivables were arrived at by dividing the average of the opening and ending balances of trade receivables during the period by sales volume for the period and multiplied by 180 days.

As at 30 June 2016, the Group's trade payables amounted to approximately RMB409.8 million, representing an increase of 14.7% from approximately RMB357.4 million as at 31 December 2015. For the six months ended 30 June 2016, the average turnover days of trade payables were 128.6 days (for the six months ended 30 June 2015: 136.1 days). The turnover days of trade payables were arrived at by dividing the average of the opening and ending balances of trade payables during the period by cost of sales for the period and multiplied by 180 days.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the six months ended 30 June 2016, capital expenditures of the Group were approximately RMB45.4 million (for the six months ended 30 June 2015: RMB36.8 million). The Group's capital expenditures were primarily related to an acquisition of land use rights, and the expenses for construction of production facilities, plants, machinery and equipment for business expansion of the production base of Nanyang Cijan and its subsidiaries.

The Group has been financing its capital expenditures primarily through cash generated from operations and bank borrowings.

As at 30 June 2016, the Group had capital commitments for acquisition of plant and machinery of approximately RMB28.6 million (31 December 2015: RMB28.9 million).

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 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. The Group's borrowings have fixed interest rates and therefore, are subject to fair value interest rate risk. The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

FOREIGN EXCHANGE RISK

The businesses of the Group are located in the PRC and Hong Kong, and its major operating transactions are denominated in RMB and HK dollars. Except certain bank balances and other borrowings of the Group and certain professional payables are denominated in HK dollars and US dollars mainly because of the listing of the Company, most of the assets and liabilities of the Group are denominated in RMB or HK dollars. Since RMB is not freely convertible, there exists the risk that the PRC Government may implement measures to interfere with the exchange rates, which in turn may have impact on the Group's net asset value, profit and the dividends declared and the Group has no hedging measures against such exchange risks. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

As at 30 June 2016, the Group had 1,660 employees (31 December 2015: 1,643 employees) with total remuneration and welfare benefits expenses amounting to approximately RMB91.1 million (for the six months ended 30 June 2015: RMB54.0 million). The Group's remuneration policy is primarily based on the job responsibilities, work experience and length of services of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to the employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience and the prevailing market condition.

SHARE OPTION SCHEME

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

For the six months ended 30 June 2016, no share options were granted under the Scheme by the Company. In addition, as of 30 June 2016, no share options under the Scheme were outstanding.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities (as at 31 December 2015: none).

PLEDGE OF ASSETS

As at 30 June 2016, (i) the Group's certain buildings and production equipment with a net carrying amount of RMB157.4 million (31 December 2015: RMB192.4 million); and (ii) the Group's leasehold land with a carrying amount of RMB73.6 million (31 December 2015: RMB101.2 million) have been pledged to secure the Group's bank loan facilities.

As at 30 June 2016, the Group's certain restricted bank balances with a carrying amount of RMB182.2 million (31 December 2015: RMB113.2 million) were pledged to secure the Group's bank bills due within three to six months, which were issued to suppliers as a pledge for the purchase of raw materials by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2016, the Group did not have other immediate plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As disclosed in the Company's announcement dated 29 December 2015, the Company, Surrich International Company Limited and New Citic International Capital Co., Ltd entered into the joint venture agreement in relation to the formation of a joint venture, Guolian Financial Holding Group Co., Limited ("**GF Holding**"), for carrying out investment and financial service business in Hong Kong. In March 2016, HK$175 million has been used by the Company to subscribe for 35% shares of GF Holding. For further information, please refer to the Company's announcement dated 29 December 2015.

As disclosed in the Company's announcement dated 24 March 2016, Nanyang Cijan, Mr. Zhao Zhijun, Ms. Yang Weixia and other joint venture partners signed the articles, pursuant to which the parties agreed to form a joint venture in the PRC, Nanyang Wayassauto Auto Shock Absorber Company Limited* (南陽威奧斯圖車輛減振器有限公司), for carrying out research and development, manufacture, sales and export of automobile shock absorber and other automobile components of various types of vehicles in the PRC. For further information, please refer to the Company's announcement dated 24 March 2016.

As disclosed in the Company's announcement dated 17 April 2016, the Company entered into a purchase agreement pursuant to which the Company agreed to purchase the sale shares and shareholders loans of the target group, Brilliant Rich and its subsidiaries, for carrying out private investment funds management, equity interest investment, securities investment and provision of investment management and consultancy services in the PRC. For further information, please refer to the Company's announcement dated 17 April 2016.

As disclosed in the Company's announcement dated 30 June 2016, two wholly-owned subsidiaries of the Company, namely FC Fund and FC Financial Leasing, together with two independent third parties, entered into the partnership agreement in relation to the formation of a limited partnership, Shenzhen Shouzhong Education Development Equity Investment Enterprise L.P.* (深圳首中教育產業發展股權投資企業(有限合夥)), for acquiring equity interest of companies/institutes which are engaged in the education sector and/or the education related businesses in the PRC. For further information, please refer to the Company's announcement dated 30 June 2016.

Save as the above, for the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT HELD

Except for the investment in an assets management portfolio as set out in note 12 to the condensed consolidated financial statements for the six months ended 30 June 2016 which form part of this announcement, the Group did not hold any significant investment as at 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2016, the Company has complied with the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules so as to enhance the corporate governance standard 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 during the six months ended 30 June 2016.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) ("**Model Code**") has been adopted by the Company as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors and to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the six months ended 30 June 2016.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under the Listing Rules) has any interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2016.

SIGNIFICANT LEGAL PROCEEDINGS

For the six months ended 30 June 2016, the Group has not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

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

The Company's interim results is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.cfcg.com.hk. The interim report of the Company for the six months ended 30 June 2016, which contains all information as required by the Listing Rules, will be dispatched to shareholders of the Company and will be available on the website in due course.

AUDIT COMMITTEE

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 in order to review and supervise the Group's financial reporting process and internal control. Currently, the Audit Committee comprises three INEDs. The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 and the interim results announcement of the Group dated 29 August 2016.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by Deloitte Touche Tohmatsu, the auditors of the Company, and the Audit Committee. They expressed no disagreement with the accounting policies and principles adopted by the Company.

SUBSEQUENT EVENTS

As disclosed in the Company's announcement dated 25 August 2016, an indirectly wholly-owned subsidiary of the Company, Yunnan First Capital Education Management Company Limited* (雲南首控教育管理有限公司) ("**FC Education (YN)**"), entered into the transaction agreements pursuant to which FC Education (YN) conditionally agreed to acquire 70% of the equity interest of Yunnan Aisitong Education Management Company Limited* (雲南愛斯通教育管理有限公司) ("**Aisitong Education**") and make capital injections into KPCA. Upon completion of the acquisition, Aisitong Education shall, through the structured contracts, exercise control over Yunnan Hope Education Management Company Limited* (雲南希望教育管理有限公司) ("**Hope Education**") and KPCA and their financial results, the entire economic benefits and risks of the business will flow to Aisitong Education. As at the date of this announcement, the aforementioned transaction has not been completed. For further information, please refer to the Company's announcement dated 25 August 2016.

Save as disclosed above, no subsequent event has occurred after 30 June 2016 which may have a significant effect on the assets and liabilities or future operations of the Group.

APPRECIATION

I would like to express my sincere appreciation for the unremitted effort and dedication made by the Board, the management and all our staff members, as well as the continuous support from our shareholders, the government, business partners, professional advisers and loyal customers.

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

Hong Kong, 29 August 2016

As at the date of this announcement, the Company's executive Directors are Mr. Wilson Sea, Mr. Zhao Zhijun, Mr. Tang Mingyang, Mr. Yan Haiting and Ms. Yang Weixia; the Company's non-executive Director is Mr. Li Hua; and the Company's independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Zhang Jinhua.