首控集团
CHINA FIRST CAPITAL GROUP LIMITED

CHINA FIRST CAPITAL GROUP LIMITED
中國首控集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1269)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

RMB' million	**2017**	**2016**	**Increase/ (Decrease)**
Revenue	**1,865.2**	1,474.1	26.5%
(Loss) profit for the year attributable to owners of the Company	**(302.2)**	178.7	(269.1%)
Basic (loss) earnings per Share *(Note a)*	**RMB(0.07)**	RMB0.05	(240.0%)

RMB' million	**As at 31 December 2017**	**As at 31 December 2016** (restated)	**Increase**
Total assets	**9,356.6**	7,414.7	26.2%
Equity attributable to owners of the Company	**3,169.9**	2,822.1	12.3%
Net asset value per Share *(Note b)*	**RMB0.66**	RMB0.63	4.8%

Notes:

a. The weighted average number of ordinary Shares for the purpose of calculating the basic earnings per Share for the year ended 31 December 2016 has been adjusted with a view to the Company's share subdivision which became effective on 28 February 2017.

b. Net asset value per Share is arrived at by dividing the equity attributable to owners of the Company by the number of issued Shares as at the end of the year. The number of issued Shares for the purpose of net asset value per Share at 31 December 2016 has been adjusted with a view to the Company's share subdivision which became effective on 28 February 2017.

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**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**1,865,247**	1,474,059
Cost of sales/services		**(1,389,195)**	(1,090,991)
Gross profit		**476,052**	383,068
Other income and expenses	*5*	**7,790**	9,234
Other gains and losses	*6*	**160,444**	1,675
Fair value changes of financial assets measured at fair value through profit or loss	*7*	**(204,884)**	357,297
Selling and distribution expenses		**(128,600)**	(97,327)
Research and development expenditure		**(46,180)**	(43,399)
Administrative expenses		**(442,566)**	(286,945)
Finance costs	*8*	**(128,428)**	(43,371)
Share of results in associates		**1,536**	–
Share of results in joint ventures		**(37,801)**	(4,516)
(Loss) profit before tax		**(342,637)**	275,716
Taxation	*9*	**42,766**	(87,440)
(Loss) profit for the year		**(299,871)**	188,276
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**102,841**	(67,372)
Fair value changes of available for sale investments		**(41,850)**	22,807
Reclassify to profit or loss upon disposal or impairment of available for sale investments		**51,661**	(22,807)
Income tax relating to fair value change of available for sale investments		**(1,619)**	–
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(287,603)**	72,737
Other comprehensive (expense) income for the year, net of income tax		**(176,570)**	5,365
Total comprehensive (expense) income for the year		**(476,441)**	193,641

	Notes	**2017**	2016
		RMB'000	*RMB'000*
(Loss) profit for the year attributable to:			
Owners of the Company		**(302,169)**	178,664
Non-controlling interests		**2,298**	9,612
		(299,871)	188,276
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(478,487)**	184,850
Non-controlling interests		**2,046**	8,791
		(476,441)	193,641
(Loss) earnings per Share – Basic (restated) (RMB)	*11*	**(0.07)**	0.05
(Loss) earnings per Share – Diluted (RMB)	*11*	**(0.07)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**859,385**	805,745
Prepaid lease payments		**272,159**	279,069
Interests in associates		**6,036**	2,500
Interests in joint ventures	*12*	**819,636**	598,513
Intangible assets		**254,683**	224,773
Available for sale investments	*13*	**616,184**	70,265
Deposits for investments		**380,000**	161,570
Long term receivables		**163,739**	–
Goodwill		**365,380**	395,802
Deferred tax assets		**15,464**	13,036
		3,752,666	2,551,273
CURRENT ASSETS			
Inventories	*14*	**227,853**	211,908
Trade and other receivables	*15*	**738,022**	1,025,905
Loan and interest receivables		**511,963**	110,490
Prepaid lease payments		**6,803**	6,661
Financial assets measured at fair value through profit or loss	*16*	**2,868,614**	1,508,324
Security account balances		**7,969**	–
Restricted bank balances		**556,252**	675,464
Bank balances and cash		**686,477**	1,324,651
		5,603,953	4,863,403
TOTAL ASSETS		**9,356,619**	7,414,676
CURRENT LIABILITIES			
Amount due to an associate		**2,425**	2,197
Trade and other payables	*17*	**1,587,904**	1,950,698
Amount due to a joint venture		**103,270**	198,270
Advance from customers		**1,957**	2,894
Borrowings	*18*	**1,377,104**	1,100,336
Income tax payable		**62,499**	48,214
Deferred income		**142,586**	69,561
Provisions		**4,695**	21,395
		3,282,440	3,393,565
NET CURRENT ASSETS		**2,321,513**	1,469,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,074,179**	4,021,111

	Notes	2017 RMB'000	2016 RMB'000 (restated)
NON-CURRENT LIABILITIES			
Other payables	17	**324**	410
Borrowings	18	**1,584,364**	413,624
Convertible bonds	19	**634,149**	–
Contingent consideration payable		**29,923**	13,814
Embedded derivative components of convertible bonds	19	**6,945**	–
Deferred income		**215,454**	295,825
Long term payables		**27,496**	24,860
Deferred tax liabilities		**113,738**	162,746
		2,612,393	911,279
TOTAL LIABILITIES		**5,894,833**	4,304,844
OWNERS' EQUITY			
Share capital	20	**80,096**	74,941
Reserves		**3,089,799**	2,747,124
Equity attributable to:			
Owners of the Company		**3,169,895**	2,822,065
Non-controlling interests		**291,891**	287,767
		3,461,786	3,109,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 April 2011. The shares of the Company (the "**Shares**") have been listed on Main Board of 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 consolidated financial statements are presented in Renminbi ("**RMB**").

2. ADJUSTMENTS TO PROVISIONAL VALUES FOR BUSINESS COMBINATION IN 2016

The Group completed the acquisition of a business occurred for the year ended 31 December 2016 and the measurement of the acquired assets and recognised liabilities were measured on provisional values in the consolidated financial statements of the Group for the year ended 31 December 2016 due to the fact that the valuation was not completed.

For the year ended 31 December 2017, the amounts of the acquired assets and recognised liabilities, the amount of goodwill arising from the acquisition and the recognised amount of non-controlling interest are adjusted from the provisional amounts disclosed in the 2016 annual consolidated financial statements after the finalisation of those valuations during the period.

The above adjustments have been corrected by restating each of the affected line items of the consolidated statement of financial position and the consolidated statement of changes in equity for the prior year. There is no impact to the consolidated financial statement of profit or loss and other comprehensive income for the year ended 31 December 2016 nor on the consolidated statement of financial position as at 1 January 2016.

3. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS(s)") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following amendments to HKASs and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"):

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except for disclosure of reconciliation of liabilities arising from financing activities for the year ended 31 December 2017, the application of the other amendments to HKASs and HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs and HKASs and the new interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Lease[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

4. 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 the 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 makers (the "**CODM**") of the Group, for the purposes of resource allocation and assessment of performance.

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

- 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.

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

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

(b) Segment revenue and segment results

	Segment revenue		Segment results	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Automotive parts business	**1,530,210**	1,379,236	**271,503**	316,782
Financial services business	**95,571**	58,270	**92,232**	57,892
Eduction operation business	**239,466**	36,553	**112,317**	8,394
Total segment and consolidated	**1,865,247**	1,474,059	**476,052**	383,068
Other income and expenses			**7,790**	9,234
Other gains and losses			**160,444**	1,675
Fair value change of financial assets measured at fair value through profit or loss			**(204,884)**	357,297
Selling and distribution expenses			**(128,600)**	(97,327)
Research and development expenditure			**(46,180)**	(43,399)
Administrative expenses			**(442,566)**	(286,945)
Finance costs			**(128,428)**	(43,371)
Share of results in associates			**1,536**	–
Share of results in joint ventures			**(37,801)**	(4,516)
(Loss) profit before tax			**(342,637)**	275,716

Revenue reported above represents revenue generated from sales of goods and provision of services to external customers. There was no inter-segment sales for the years ended 31 December 2016 and 2017.

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

Other than the segment revenue and segment profit 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 2017, 94% (2016: 96%) of the Group's revenue from external customers was derived from the PRC.

(d) **Information about major customers**

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of automobile shock absorbers		
– Customer A	**447,901**	393,046
– Customer B	**165,216**	163,600

5. OTHER INCOME AND EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Interest income	**3,745**	6,044
Storage services income	**4,045**	3,190
School campus ancillary services	**72,209**	–
Less: associated expenses relating school campus ancillary services	**(72,209)**	–
	7,790	9,234

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Allowance for doubtful trade receivables, net	**(4,819)**	(5,963)
Donation	**(2,239)**	(370)
Exchange gain (loss), net	**82,652**	(4,203)
Government grants	**7,643**	4,196
Release of asset-related government grants	**2,194**	1,089
Provision on inventories, net	**(6,160)**	(21,507)
Gain on disposal of scrap	**3,971**	3,549
Investment gains	**19,559**	–
Gain on disposal of subsidiaries	**23,560**	–
Impairment loss on goodwill	**(42,100)**	–
Loss on disposal of a joint venture	**–**	(926)
Loss on disposal of property, plant and equipment	**(8,091)**	–
Other interest income	**3,516**	4,098
Impairment loss on available for sale investment	**(51,661)**	–
Gain on disposal of available for sale investment	**–**	22,807
Gain (loss) on disposals of financial assets measured at fair value through profit or loss	**134,049**	(2,403)
Others	**(1,630)**	1,308
	160,444	1,675

7. FAIR VALUE CHANGE OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *RMB'000*	2016 *RMB'000*
Equity securities:		
– Listed in Hong Kong	**(12,074)**	201,125
– Listed in the PRC	**(189,973)**	156,172
– Listed in overseas	**(2,837)**	–
	(204,884)	357,297

8. FINANCE COSTS

	2017 *RMB'000*	2016 *RMB'000*
Interest on:		
– Bank borrowings	**23,206**	32,036
– Other borrowings	**99,177**	11,191
– Convertible bonds	**3,358**	–
– Long-term payables, at effective interest rate	**2,636**	104
	128,377	43,331
Accretion on other payables	**51**	40
	128,428	43,371

9. TAXATION

	2017 *RMB'000*	2016 *RMB'000*
Current tax:		
– Hong Kong	**3,439**	9,880
– the PRC	**16,380**	15,837
– Overseas	**37**	–
	19,856	25,717
Deferred tax (credit) expense	**(62,622)**	61,723
	(42,766)	87,440

10. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2016 and 2017. The Board does not recommend the payment of final dividend for the year ended 31 December 2017.

11. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per Share is based on the following data:

	2017	2016
(Loss) earnings		
(Loss) earnings for the year attributable to owners of the Company for the purpose of basic (loss) earnings per Share *(RMB'000)*	**(302,169)**	178,664
Number of Shares		
Weighted average number of ordinary Shares for the purpose of basic (loss) earnings per Share	**4,646,013,699**	3,310,358,850

The earnings per Share for the year ended 31 December 2016 has been adjusted with a view to the Company's share subdivision which became effective on 28 February 2017.

For the year ended 31 December 2017, the calculation of diluted loss per Share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per Share.

No diluted earnings per Share are presented as there was no potential ordinary Share outstanding for the year ended 31 December 2016 or as at 31 December 2016.

12. INTERESTS IN JOINT VENTURES

	2017 *RMB'000*	2016 *RMB'000*
Cost of interests in joint ventures	**861,430**	603,029
Share of results and other comprehensive expenses during the year	**(41,794)**	(4,516)
	819,636	598,513

13. AVAILABLE FOR SALE INVESTMENTS

	2017 *RMB'000*	2016 *RMB'000*
Unlisted investments:		
– at cost less impairment	**165,234**	70,265
– at fair value	**450,950**	–
	616,184	70,265

14. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**35,594**	42,098
Work-in-progress	**5,312**	13,159
Finished goods	**182,736**	152,324
Consumables	**4,211**	4,327
	227,853	211,908

15. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Trade receivables	**538,821**	547,856
Less: allowance for doubtful trade debts	**(13,451)**	(18,270)
	525,370	529,586
Bills receivables	**58,010**	29,004
Other receivables	**273,629**	425,548
Less: allowance for doubtful other debts	**–**	–
	273,629	425,548
Value-added tax recoverable	**–**	2,981
Advances to suppliers	**44,752**	38,786
	901,761	1,025,905
Less: amounts shown under non-current assets	**(163,739)**	–
Total trade and other receivables shown under current assets	**738,022**	1,025,905

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**494,446**	491,461
91 to 180 days	**26,161**	32,172
181 to 365 days	**4,763**	5,953
	525,370	529,586

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

	2017	2016
	RMB'000	*RMB'000*
Within 120 days	**58,010**	27,400
121 to 365 days	**–**	1,604
	58,010	29,004

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	*RMB'000*
Equity securities:		
– Listed in Hong Kong	**1,920,176**	708,157
– Listed in the PRC	**869,900**	800,167
– Listed in overseas	**78,538**	–
	2,868,614	1,508,324

17. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**552,778**	491,961
Bills payables	**111,670**	82,520
	664,448	574,481
Other payables	**511,362**	58,709
Customer deposits for securities trading	**122,252**	478,950
Consideration payables for acquisition of businesses	**58,301**	331,740
Consideration payables for financial assets measured at fair value through profit or loss	**–**	321,750
Other payables to employees	**453**	570
Other tax payables	**49,559**	40,575
Other accruals	**91,177**	72,084
Payroll and welfare payables	**90,676**	72,249
	1,588,228	1,951,108
Less: Amount shown under non-current liabilities	**(324)**	(410)
Total trade and other payables shown under current liabilities	**1,587,904**	1,950,698

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**463,176**	314,697
91–180 days	**65,942**	26,344
181–365 days	**15,202**	146,641
1–2 years	**8,458**	4,279
	552,778	491,961

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**11,170**	11,700
31 to 60 days	**46,500**	19,740
61 to 90 days	**–**	10,000
91 to 180 days	**54,000**	41,080
	111,670	82,520

18. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Bank borrowings	**479,875**	516,729
Debentures	**281,911**	108,575
Other borrowings	**2,199,682**	888,656
	2,961,468	1,513,960
Unsecured	**924,803**	1,113,865
Secured	**2,036,665**	400,095
	2,961,468	1,513,960

The contractual maturity dates are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**1,377,104**	1,100,336
More than one year, but not exceeding two years	**245,273**	75,235
More than two years, but not exceeding five years	**1,261,188**	330,499
More than five years	**77,903**	7,890
	2,961,468	1,513,960
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(1,377,104)**	(1,100,336)
Amounts shown under non-current liabilities	**1,584,364**	413,624

19. CONVERTIBLE BONDS

On 14 December 2017, the Company issued Hong Kong dollars ("**HK$**") denominated and HK$ settled bonds at par value with the aggregate principal amount of HK$800,000,000 with conversion price of HK$3.27 (subject to adjustment) per Share (the "**Convertible Bonds**"). The Convertible Bonds will mature on 13 December 2019 (the "**Maturity Date**") and shall be redeemed by the Company at par value on the Maturity Date.

20. SHARE CAPITAL

	Number of Shares	Share capital *HK$*
Ordinary Shares of HK$0.10 each before 28 February 2017		
Ordinary Shares of HK$0.02 each since 28 February 2017		
Authorised:		
At 1 January 2016, 31 December 2016 and 27 February 2017	10,000,000,000	1,000,000,000
At 28 February 2017 and 31 December 2017	50,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2016	552,960,000	55,296,000
Issue of Shares *(Note a)*	110,592,000	11,059,200
Issue of Shares *(Note b)*	132,698,000	13,269,800
Issue of Shares *(Note c)*	100,000,000	10,000,000
At 31 December 2016 and 1 January 2017	896,250,000	89,625,000
Share subdivision *(Note d)*	3,585,000,000	–
Issue of Shares *(Note e)*	296,250,000	5,925,000
At 31 December 2017	4,777,500,000	95,550,000

Notes:

a. On 10 May 2016, an aggregate of 110,592,000 Shares were allotted and issued at the issue price of HK$4.66 per Share.

b. On 21 September 2016, an aggregate of 132,698,000 Shares were allotted and issued at the placing price of HK$6.00 per Share.

c. On 29 December 2016, an aggregate of 100,000,000 Shares were allotted and issued at the placing price of HK$10.00 per Share.

d. On 28 February 2017, each of the issued and unissued Shares of HK$0.10 each in the share capital of the Company has been subdivided into 5 Shares of HK$0.02 each.

e. On 12 June 2017, an aggregate of 296,250,000 Shares were allotted and issued by way of consideration issue for the purpose of acquiring 180,438,000 shares of Virscend Education Company Limited.

	2017 ***RMB'000***	2016 *RMB'000*
Share capital presented in the consolidated statement of financial position	**80,096**	74,941

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 2017 as set out in this results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in the automotive parts business. Since the end of 2014, the Group has started moving into the financial services business, and has provided services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services. Since 2016, the Group has continued to diversify its business, with education investment as cornerstone and financial services and education operation as support to the Group. The combination of the three key operations has enabled the Group to achieve a balanced development. The Group is aspired to build a platform for education operation, investment and financing in the education sector, powered by "Education Operation and Financial Service" dual-pronged strategy.

In addition, the Group's business development strategy has continued to enjoy wide recognition. The Company was selected as a constituent of the MSCI China Small Cap Index Series in June 2016, the FTSE Asia Pacific ex Japan Index Series in March 2017 and the Hang Seng Composite Index Series and Hang Seng Stock Connect Hong Kong Index Series in March 2018. During the year under review, the Group won the "2016 Top 100 Hong Kong Listed Companies – Outstanding Education Investment Award" jointly conferred by QQ.com and Finet.hk and "The Listed Enterprise Excellence Awards" in 2017 presented by Capital Weekly. Furthermore, the Group garnered six international awards for its 2016 annual report at the 2016 Vision Awards hosted by the League of American Communications Professionals and also the 31st International ARC Awards organized by MerComm, Inc..

In addition, the Group introduced in a number of investors with strength to consolidate its strength. During the year, the Company issued convertible bonds in the aggregate amount of HK$800 million to Champion Sense Global Limited, a wholly-owned subsidiary of Huarong International Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 993) and company notes in the aggregate amount of HK$600 million to Zhongyuan Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1216).

BUSINESS REVIEW

Education Operation Business

According to the research by Parthenon-EY, a world-renowned educational consulting institution, education is the world's eighth largest economic industry, and the private education market is worth trillions of the United States ("**US**") dollars ("**US$**"). In addition, China is the world's second largest consumer of private education, being second only to the US, and the potential market for main private education segments in the PRC is worth US$28.0 billion with an annual growth rate of more than 10%. The increase in per capita disposable income of urban households in Mainland China, the enforcement of the "Universal Two-child Policy" and the increasing awareness among parents of the importance of quality education for their children have all contributed to the continuous rise in family education expenditure. In addition, the amendment of the laws on private education in Mainland China to legalize establishment of for-profit private schools set the foundation to achieve long-term sustainable development for the private education sector. With techniques, market trends and government policies in favor of the private education sector, more players are entering into the capital market as reflected by the increase in listings of private education enterprises in Hong Kong or the US. China's education sector is stepping into a golden era and will see substantial growth in both the overall scale of the industry and level of market activity. As one of the few high-yield and stable industries which are not affected by the economic cycle, the education industry has seen a constant inflow of private capital helping it develop rapidly.

As a result, during the year under review, the Group actively seized the opportunities in the promising industry and focused on exploring, cultivating, investing in and are operating quality education assets. While selectively developing education segments that are fit for the predominant market trends and unique characteristics of Chinese education demand, it focused on investing in benchmark assets and bolt-on assets in the segments of childhood education, K-12 education, vocational (training) education, and media and arts education. In addition, the Group also put forth its effort to develop education management service, optimize allocation of education assets, promote project synergy and integration, explore the potential of its education assets and enhance their intrinsic value to establish the core competitiveness of the Group.

In February 2017, the Group established and made subscription for First Capital Australia Education Master Fund (the "**New Trust**"). As at 31 December 2017, the New Trust held an aggregate of approximately 16 million shares in G8 Education Limited ("**G8 Education**") (a company listed on the Australian Securities Exchange, ASX stock code: GEM), representing approximately 3.57% of its total issued shares as at the same date. G8 Education, which provides quality child care and education facilities in Australia and Singapore, is the largest for-profit child care center operator in Australia. In October 2017, CFCG Investment Partners International (Singapore) Pte. Ltd. ("**CFCG Singapore**"), a subsidiary of the Company, and MindChamps PreSchool (Worldwide) Pte. Limited (currently known as MindChamps PreSchool Limited, "**MindChamps PreSchool**") (a company listed on the Main Board of Singapore Exchange Limited ("**SGX**"), stock code: CNE.SI) signed a cornerstone subscription agreement, pursuant to which CFCG Singapore agreed to subscribe for 4.99% of the enlarged number of shares of MindChamps PreSchool in issue as at the date of listing of MindChamps PreSchool's shares. With global business coverage, MindChamps PreSchool is the largest operator and franchisor of high-end preschool centers in Singapore. In February 2018, the Company entered into a joint venture agreement with MindChamps Preschool to establish a fund and a joint venture, which will focus on setting up or acquiring preschools in China to be operated under the "MindChamps" brand.

During the year under review, the Group acquired additional shares of Virscend Education Company Limited ("**Virscend Education**") (a company listed on the Main Board of the Stock Exchange, stock code: 1565). As at 31 December 2017, the Company and the fund under the Group's management held an aggregate amount of approximately 408 million shares of Virscend Education, representing approximately 13.2% of its total issued shares as at the same date. Virscend Education is the largest provider of K-12 private education services in Southwest China. The Group also invested in AltSchool, an innovative school in the US, which is committed to creating a new education model and realizing personalized education by integrating technical platforms into the teaching regime.

During the year under review, the Group also looked for opportunities to develop online education. In January 2018, the Group signed an amended and restated share purchase agreement (the "**Amended and Restated Agreement**") for the proposed acquisition of 10% of the total issued shares of SJW International Co., Ltd. ("**SJW International**"). As the first provider of online English courses for adults in the Republic of Korea ("**Korea**") and owner of "Siwon School", a well-known online education brand in Korea, SJW International mainly provides basic English courses for adults, online English courses for children, as well as video language courses teaching Chinese, Japanese and Spanish.

In March 2017, the Group acquired 40% equity interest in Singapore Raffles Music College ("**SRMC**"). Accredited by the "EduTrust-4 Years" certification of the Committee for Private Education of Singapore, SRMC is the only private integrated higher education institution for music in Singapore dedicated to nurturing application-oriented and well-rounded talent for music performance, music media, production and management of music and dance performance. In May 2017, Yunnan First Capital Education Management Company Limited* (雲南首控教育管理有限公司), a subsidiary of the Group, signed an agreement with Yunnan Arts University in connection with the co-sponsoring of Wenhua College of Yunnan Arts University to groom application-oriented talent in art.

In 2016, the Group entered into a collaboration agreement with Kingswood School, a renowned British school, to jointly set up international schools under the "Kingswood" brand in the PRC. The Group also signed a strategic cooperation framework agreement with the Deyang Municipal Government in Sichuan Province to jointly invest in and develop the China (Deyang) Splendid Horizons International Education New Town (the "**Education New Town**"). During the year under review, the Group appointed Parthenon-EY and Surbana Jurong of Singapore, a world-leading urban development consulting firm, to conduct research on the positioning, planning and design of the Education New Town. Furthermore, with a plan to introduce Kingswood School into the Education New Town, the Group signed a letter of intent for school operations with the Jingyang District People's Government in Deyang and Kingswood School.

At the same time, the Group continued to integrate quality educational resources from home and abroad, combine educational market demands and promote exchanges and resource sharing between education projects, aiming for success of all parties involved. The Group also enhanced operational and financial management of the invested education projects and provided diverse value-added educational services, which improved both the scale and quality of its education business when compared with last year.

To explore collaborative operation and effective management of various educational assets and build an education management service platform thereby attain a diversified industrial profile, First Capital Fund Management Company Limited* (首控基金管理有限公司) ("**FC Fund**"), a subsidiary of the Company, signed an agreement with Sichuan Jinlu Group Co., Ltd. ("**Jinlu Group**") in October 2017 to jointly invest in the establishment of JinluYuda Education Management Service Company Limited* (金路育達教育管理有限責任公司) and conduct businesses such as educational consultation and management services. Jinlu Group is listed on the Shenzhen Stock Exchange (stock code: 000510). As at 31 December 2017, the Group held approximately 10.0% of the total issued shares of Jinlu Group.

Financial Service Business

During the year under review, the Group's financial service business grew rapidly. First Capital Securities Limited ("**FC Securities**"), First Capital Asset Management Limited ("**FC Asset Management**"), First Capital International Finance Limited ("**FC International Finance**"), FC Fund, First Capital International Holdings Limited ("**FC International**") and Stirling Coleman Capital Limited ("**Stirling Coleman**") gave full play to the Group's advantages of earning various financial licenses and its well-established financial service system to actively develop an optimized and comprehensive range of businesses.

FC Securities was granted the license for type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance ("**SFO**") in July 2017. As at the date of this announcement, FC Securities has been granted the licenses for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. In addition to dealing in securities and margin business for individual customers, FC Securities engages in the underwriting and placing of shares for listing applicants and listed companies. During the year under review, FC Securities was a joint bookrunner and joint lead manager for the listing of China YuHua Education Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6169), Luzhou Xinglu Water (Group) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 2281), China New Higher Education Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2001) and Zhongyuan Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1216), and also a joint lead manager for the listing of Minsheng Education Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1569). FC Securities was ranked the 21st on Bloomberg's list of securities dealers by initial public offering ("**IPO**") underwriting business in Hong Kong in terms of amount of IPO proceeds raised in 2017, with about 1.4% market share, and it was ranked the 9th in terms of the number of IPO underwriting in Hong Kong for the PRC companies in 2017.

FC Asset Management holds the licenses for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. During the year under review, it established the First Capital Education Selected Fund and developed the discretionary wealth management business for high profit clients and actively opened up domestic and international investor networks and sales channels. As at 31 December 2017, the total assets in funds and discretionary accounts under its management exceeded HK$500 million. First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司), a wholly-owned subsidiary of FC Asset Management, has registered as a private equity fund manager with the Asset Management Association of China ("**AMAC**"), which allows its subsidiary to initiate establishment or entrusted management of foreign-invested equity investment companies, domestic private equity funds and venture capital funds and raise funds from domestic and foreign investors in a non-public manner.

FC International Finance was licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO and to provide financial advisory advice on matters in relation to the "Codes on Takeovers and Mergers and Share Buy-backs" of Hong Kong. During the year under review, FC International Finance served as the financial advisor and finance arranger for a number of transactions and companies, which enable it to expand its business scope and provide a full range of services to clients.

In July 2017, the Group completed the acquisition of 100% equity interest in Stirling Coleman. Stirling Coleman has obtained the license from the Monetary Authority of Singapore to conduct regulated financial activities in relation to securities trading and advising on corporate finance in Singapore. Thus, it can provide small and medium enterprises with diverse corporate financing services, including IPO services and the subsequent issue of shares on SGX, independent financial advisory services to listed companies in Singapore and advice on mergers and acquisitions to listed and private companies in Singapore and other countries.

FC Fund and some of its subsidiaries were registered as private equity fund managers with AMAC. During the year under review, FC Fund signed an agreement with Chongqing Cultural Industry Investment Group Co., Ltd.* (重慶文化產業投資集團有限公司) and Chongqing Industry Guiding Equity Investment Fund Co., Ltd.* (重慶產業引導股權投資基金有限責任公司) to jointly establish the Chongqing First Capital Cultural Investment Equity Investment Fund* (重慶首控文投股權投資基金) with target value of RMB2.0 billion and current value of approximately RMB600 million. The fund will mainly focus on investing in cultural tourism, emerging cultural industries and cultural education projects.

FC International principally engages in migration financial services. During the year under review, boasting market network resources in key cities in China and overseas, FC International intensively explored the demand of high net-worth clients and provided diversified solutions to meet their global asset allocation needs.

Automotive Parts Business

Facing intensifying market competition, the Group's automotive parts business drew on its existing brand and technical strengths to achieve better product development and quality control, as well as lean production. While consolidating the existing market, it also explored untapped market potential in depth to open up new markets.

During the year under review, the Group operated its automotive parts business by adhering to the principle of "Developing the Market, Focusing on Quality, Improving Research and Development, and Strengthening Management". It managed to open up new markets for Dongfeng Renault, Jiangling Ford, Dongfeng Fengshen and Shanghai Volkswagen. The Group also completed development of new products of automobile shock absorbers for motor vehicles such as Chery A13T, SAIC IP34, SGMW CN201S and FAW Xenia and passed the QSB+ quality system inspection of Dongfeng Peugeot Citroen Automobile Company Ltd.

The Group achieved bulk supply for its self-developed shock absorbers for subways and trains and passed the supplier qualification assessment of CRRC Tangshan Co., Ltd.* (中車唐山機車公司) in September 2017. The Group also fulfilled all the criteria of the "Technical Renovation of Digital Workshops for Smart Manufacturing of Shock Absorbers", a key project supported by national authorities, and also obtained the National Laboratory Accreditation Certificate from the China National Accreditation Service for Conformity Assessment (CNAS).

To enhance the financial flexibility of the automotive parts business and provide cash flow for its development, during the year under review, Guang Da (China) Automotive Components Holdings Limited ("**Guang Da**"), a subsidiary of the Company, issued shares to Xi's Investment Limited ("**Xi Investment**") (wholly-owned by Dr. Wilson Sea, chairman of the Board and an executive Director) and Hong Kong Zhiyuan Investment Limited ("**Zhiyuan Investment**") (wholly-owned by Mr. Zhao Zhijun, a co-chief executive officer of the Company ("**Co-CEO**") and an executive Director) at a subscription price of HK$46 million, respectively.

OUTLOOK

Education Operation Business

Being a very stable expense item for families, the education market is not affected by the impact of economic cycle, and the demand of education is driven by economic development. As per capita GDP increases, gross enrollment rate and education expenditure also increase, and such phenomenon has fueled strong growth of the private education sector across the world in the past decade. Private education has a growing share of the education market share versus public education as reflected in the fast growing proportion of secondary school students and preschoolers coming from private schools. The rise in disposable income of residents in Mainland China has seen the birth of a better educated and more affluent middle-class families which place a high priority on education for their children, and hence they are willing to spend on education. Together with the implementation of the "Universal Two-child Policy", it is going to increase education expenditure for the coming years.

For the private education sector in China, a number of favorable policies such as amendments to the laws on private education and other supportive policies have been introduced. The Chinese government has placed more emphasis on and encouraged private investment in the education sector. Therefore, it is expected that there will be an industrial development for education. In December 2016, the State Council issued "Several Opinions on Encouraging Private Investment in Education and Promoting the Healthy Development of Private Education" to promote classification of private schools to ease management and encourage private investment in the education sector. The "13th Five-Year Plan for the National Education Enterprise" issued in January 2017 also sees investment in education as a priority and states that the country's education expense should account for no less than 4% of the GDP in general. In the report at the 19th National Congress of the Communist Party of China, Mr. Xi Jinping, President of the PRC, stated that "strengthening education is fundamental to our pursuit of national rejuvenation", and that education must be prioritized and reform must be taken to greater depth, to facilitate the modernization of education and to provide support to the well-regulated development of private schools. In March 2018, Mr. Li Keqiang, the Premier of the State Council, emphaized in the government work report at the 1st meeting of the 13th National People's Congress of the PRC, that the government aims at supporting private investment in occupational education, popularizing high and mid-level education, and optimizing the structure of higher education on the basis of economic and social development needs.

The Group is of the view that the private education market has a high demand, low concentration, stable and predictable revenue, high barrier to entry for new players and broad prospect. With the Group's advantages in brand, resources, channel and talent in the industry, the Group will be able to seize opportunities brought by the vigorous development of the private education sector.

Looking ahead into 2018, the Group will continue to grasp market opportunities, extend its presence across the globe education market, focus on education segments that fit in with the predominant trends of the education industry, cater to unique Chinese education demands with the Group's unique advantages. As such, the Group will pay particular attention to preschool education, K-12 education, vocational (training) education and media and arts education. Furthermore, the Group will establish channels to link high-quality education resources from home and abroad with its various education assets, with the aim of developing a diversified industrial chain and a platform for education operation, investment and financing with a "Chinese Perspective".

The Group will focus on developing education management services, optimizing the allocation of educational assets, promoting project synergy and integration, intensively exploring the potential of educational assets and enhancing its intrinsic value and building the Group's core competitiveness. The Group will also continue to optimize post-investment management of its education projects, execute the cooperation agreements with partners, prepare for the establishment of international schools and international courses in the educational projects being invested and the overseas at the right time, promote exchanges and resource sharing among education programs in terms of curriculum, technology, brand and operation, and enhance the overall value of its education projects.

Financial Service Business

Financial schemes launched in the past few years including the "Shanghai-Hong Kong Stock Connect" in November 2014, the "Shenzhen-Hong Kong Stock Connect" in December 2016 and the "Bond Connect" in July 2017, are designed not only to meet Mainland investors' demand for overseas asset allocation, but also to provide foreign investors with easier access to the Mainland capital market, encouraging it to open up and go international. In Hong Kong, the Stock Exchange stays committed to building an integrated platform for connecting markets on both sides of the border and leveraging the unique strengths of Hong Kong as an international financial center. Thus, the Group is optimistic about the long-term prospects of its financial services business.

Given the growing interest of capital markets in the education industry and the booming private education sector in China, the Group will take advantage of its presence across the entire industry chain of the sector to provide its financial service business with abundant resources, high brand recognition and market influence. Following the trend of educational projects being listed on the Stock Exchange, the Group will seek to unleash greater synergy between its financial services and education operation to foster progress of both segments. Focusing on education industry while working on other areas, the Group will intensively explore the demand of clients, give full play to the advantages of its diverse financial service licenses and build a boutique investment bank with distinctive characteristics, thereby establishing the leading position of the Group in the education finance industry. The Group will also consider cornerstone investment and secondary market investment in listed education projects.

The “Belt and Road” initiative of China has opened a window of opportunities and has become a new platform for international cooperation. To support and capitalize in the “Belt and Road” initiative, the Group intends to expand its financial services platform to cover regions beyond China and Hong Kong. During the year under review, the Group completed the acquisition of 100% equity interest in Stirling Coleman, a Singapore-based corporate finance advisory firm, which will serve as a direct platform for quick access to Singapore’s capital markets in the future. The Group believes that Singapore, as a major international financial center, is the gateway to the strategic financial and capital markets in Southeast Asia and expects more frequent trading, financing and other capital market activities in China, Hong Kong and Singapore to create opportunities for the market.

To meet the global asset allocation needs of high net-worth individuals in Mainland China and foreign investors’ increasing demand for RMB asset allocation, the Group will make full use of its existing asset management and overseas financial service platforms and channels offered by qualified foreign limited partners (QFLP), to provide customers with professional and quality one-stop service.

Automotive Parts Business

The Group has implemented effective development strategies for its automotive parts business. In the future, it will continue to execute those strategies to promote development of the segment.

In 2018, the Group’s automotive parts business will continue to aim for “Top Quality and Customer Satisfaction” by strengthening implementation of its quality system, deepening the reform of its performance remuneration and employment systems, improving product quality and customer satisfaction, and continuing to capitalize on its existing brand and technical advantages. On top of consolidating existing markets, the Group will continue to explore the untapped market potential in depth and develop new markets.

The Group regards research and development capability building as core to its work. It has equipped its research and development centers in Italy and Nanyang with advanced testing and examination equipment and assigned to them excellent design technology experts to help build them into first-class research and development bases, and substantially improve its reserve and marketing of new technologies. The Group will also build a digitized workshop for smart manufacturing of shock absorbers and renovate assembly lines with automation of the assembly workshops in mind, enabling automatic manufacturing processes, automatic error correction, and ultimately achieving better product quality, as well as higher production capacity and efficiency.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's overall revenue increased by 26.5% to RMB1,865.2 million from RMB1,474.1 million in 2016, of which revenue from the automotive parts business increased by 10.9% to RMB1,530.2 million from RMB1,379.2 million in 2016. Revenue from the financial service business increased by 64.0% to RMB95.6 million from RMB58.3 million in 2016. Revenue from the education operation business increased by 554.1% to RMB239.4 million from RMB36.6 million in 2016. The increase in revenue was primarily due to the increase in sales of the automotive parts business, as well as rapid growth of the financial service business and education operation business.

Cost of sales/services

For the year ended 31 December 2017, the Group's overall cost of sales/services increased by 27.3% to RMB1,389.1 million from RMB1,091.0 million in 2016, of which cost of sales from the automotive parts business increased by 18.5% to RMB1,258.7 million from RMB1,062.4 million in 2016. Cost of services from the financial service business increased by 725.0% to RMB3.3 million from RMB0.4 million in 2016. Cost of services from the education operation business increased by 350.7% to RMB127.1 million from RMB28.2 million in 2016. The increase in cost of sales/services was mainly driven by the increase in sales and price of raw materials of automotive parts business, as well as the expansion of the education operation business.

Gross profit

For the year ended 31 December 2017, the Group's overall gross profit increased by 24.3% to RMB476.1 million from RMB383.1 million in 2016, of which gross profit from the automotive parts business decreased by 14.3% to RMB271.5 million from RMB316.8 million in 2016. Gross profit from the financial service business increased by 59.4% to RMB92.3 million from RMB57.9 million in 2016. Gross profit from the education operation business increased by 1,236.9% to RMB112.3 million from RMB8.4 million in 2016. The increase in gross profit was mainly attributable to rapid development of the financial service and education operation business with higher gross profit margin, exceeding the decrease in gross profit from the automotive parts business resulting from higher price of raw materials.

Gross profit margin

For the year ended 31 December 2017, the Group's overall gross profit margin declined by 0.5 percentage points to 25.5% from 26.0% in 2016, of which the gross profit margin from the automotive parts business declined by 5.3 percentage points to 17.7% from 23.0% in 2016, gross profit margin from the financial service business declined by 2.8 percentage points to 96.5% from 99.3% in 2016 and gross profit margin from the education operation business increased by 23.9 percentage points to 46.9% from 23.0% in 2016. The decline in gross profit margin was mainly due to the decline in gross profit margin of the automotive parts business, which accounted for a large proportion of the Group's revenue.

Other gains and losses

For the year ended 31 December 2017, the Group recorded other gains amounted to RMB160.4 million, representing an increase of RMB158.7 million from RMB1.7 million comparing with 2016. Such increase was mainly due to: (i) an increase of RMB136.5 million of gain on disposal of financial assets measured at fair value through profit or loss; and (ii) an increase of RMB86.9 million in exchange gain.

Fair value change of financial assets measured at fair value through profit or loss

For the year ended 31 December 2017, the fair value change of financial assets measured at fair value through profit or loss of the Group recorded a loss of RMB204.9 million compared to a gain of RMB357.3 million in 2016. The financial assets measured at fair value through profit or loss of the Group were investments in securities listed on the Stock Exchange, SGX, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, with costs of investment amounting to RMB2,746.8 million. The fair value of such investments was RMB2,868.6 million as at 31 December 2017, which was equivalent to 30.7% of the total assets of the Group as at 31 December 2017.

Selling and distribution expenses

For the year ended 31 December 2017, the Group's selling and distribution expenses increased by 32.2% to RMB128.6 million from RMB97.3 million in 2016. Such increase was primarily due to the increase in sales of the automotive parts business, which resulted in more transportation costs and more after-sale service expenses in response to customers' demand.

Research and development expenditure

For the year ended 31 December 2017, the Group's research and development expenditure increased by 6.5% to RMB46.2 million from RMB43.4 million in 2016. Such increase was primarily due to (i) greater 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

For the year ended 31 December 2017, the Group's administrative expenses increased by 54.3% to RMB442.6 million from RMB286.9 million in 2016. Such increase was mainly due to the expansion of the education operation business, as well as more expenditure on staff salaries, allowance, bonus and rentals of office premises resulting from the staff recruitment and expansion of office premises in respect of developing the business.

Finance costs

For the year ended 31 December 2017, the Group's finance costs increased by 195.9% to RMB128.4 million from RMB43.4 million in 2016. Such increase was mainly caused by more interest expense attributable to the increase in working capital required for developing the financial service and education operation business.

Taxation

For the year ended 31 December 2017, the Group's taxation changed from the income tax expense of RMB87.4 million in 2016 to income tax credit of RMB42.8 million. Such change was mainly due to the decrease in deferred income tax liabilities.

(Loss) profit for the year

For the year ended 31 December 2017, the Group recorded a loss of RMB299.9 million as opposed to a profit of RMB188.3 million in 2016. Such change was mainly due to the fair value change of the Group's financial assets measured at fair value through profit or loss, the decline of gross profit in the automotive parts business, and an increase in the administrative expense and finance costs.

Basic (loss) earnings per Share

For the year ended 31 December 2017, the Group's basic loss per Share amounted to RMB0.07, as opposed to the basic earnings per Share (restated) of RMB0.05 in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2017, the Group's net current assets amounted to RMB2,321.5 million, representing an increase of 57.9% compared with that of RMB1,469.8 million as at 31 December 2016 (restated). Such increase was mainly due to the increase of the balance of financial assets measured at fair value through profit or loss.

Financial position and borrowings

As at 31 December 2017, the Group's cash and bank balances amounted to RMB686.5 million, representing a decline of 48.2% compared with that of RMB1,324.7 million as at 31 December 2016. Such decrease was mainly due to the fact that the Group utilized the proceeds from a placing of Shares which was completed on 29 December 2016.

The management of the Group reviews and monitors the borrowings level on a regular basis. As at 31 December 2017, the Group's total borrowings amounted to RMB2,961.5 million, representing an increase of 95.6% compared with that of RMB1,513.9 million as at 31 December 2016. Such increase was mainly due to the fact that the Group raised fund for developing the financial service business and education operation business. Out of total borrowings, (i) short-term borrowings due within one year amounted to RMB1,377.1 million, representing an increase of 25.2% compared with that of RMB1,100.3 million as at 31 December 2016; (ii) borrowings due over one year but within two years amounted to RMB245.3 million, representing an increase of 226.2% compared with that of RMB75.2 million as at 31 December 2016; (iii) borrowings due over two years but within five years amounted to RMB1,261.2 million, representing an increase of 281.6% compared with that of RMB330.5 million as at 31 December 2016; and (iv) borrowings due over five years amounted to RMB77.9 million, representing an increase of 886.1% compared with that of RMB7.9 million as at 31 December 2016.

As at 31 December 2017, RMB2,771.6 million of the Group's total borrowings (31 December 2016: RMB1,513.9 million) is calculated on fixed interest rates.

As at 31 December 2017, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payables divided by total assets, was 32.8% (31 December 2016 (restated): 21.5%).

Working capital

The management of the Group regularly reviews and monitors the inventory level. As at 31 December 2017, the Group's inventories amounted to RMB227.9 million, representing an increase of 7.6% from RMB211.9 million as at 31 December 2016. Such increase was mainly attributable to the expansion in operation scale and the increase in inventory cost of the automotive parts business. For the year ended 31 December 2017, the average inventory turnover days were 57.8 days (2016: 52.5 days). The average inventory turnover days were calculated as the average of opening and closing balances of inventory for the year divided by cost of sales/services for the year and multiplied by 365 days.

The management of the Group regularly reviews and monitors the level of trade receivables. As at 31 December 2017, the Group's trade receivables amounted to RMB538.8 million, representing a decrease of 1.7% from RMB547.9 million as at 31 December 2016. For the year ended 31 December 2017, the average turnover days of trade receivables were 106.3 days (2016: 112.6 days). The average turnover days of trade receivables were calculated as the average of opening and closing balances of trade receivables for the year divided by revenue for the year and multiplied by 365 days.

The management of the Group regularly reviews and monitors the level of trade payables. As at 31 December 2017, the Group's trade payables amounted to RMB552.8 million, representing an increase of 12.4% from RMB492.0 million as at 31 December 2016. Such increase was mainly attributable to the expansion in operation scale of the automotive parts business. For the year ended 31 December 2017, the average turnover days of trade payables were 137.3 days (2016: 142.1 days). The average turnover days of trade payables were calculated as the average of the opening and closing balances of trade payables for the year divided by cost of sales/services for the year and multiplied by 365 days.

Capital expenditures and capital commitments

For the year ended 31 December 2017, the Group's capital expenditures were RMB129.7 million (2016: RMB108.8 million), which were primarily the expenses of the automotive parts business in respect of additions to production facilities and plants, machinery and equipment.

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

As at 31 December 2017, the Group's capital commitments to additional facilities and plants, machinery and equipment amounted to RMB3.2 million (31 December 2016: RMB30.8 million).

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

Pledge of Assets

As at 31 December 2017, assets pledged to acquire borrowings for the Group was the Group's financial assets measured at fair value change through profit or loss with a carrying amount of RMB1,404.0 million (31 December 2016: RMB399.6 million).

As at 31 December 2017, the carrying amount of the Group's certain restricted bank balances was RMB556.3 million (31 December 2016: RMB675.5 million), which was used for the customer deposits for trading securities and pledges for the bills payables with a maturity of six months issued to suppliers, etc.

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 restricted bank balances and bank balances.

The Group has not used any financial instrument to hedge the interest rate risk that it is exposed to currently. However, the management of the Group monitors interest rate 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 bank balances and borrowings of the Group are denominated in HK$, USD, AUD and SGD. Any material volatility in the exchange rates of these currencies against RMB may affect the financial condition of the Group.

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

HUMAN RESOURCES

As at 31 December 2017, the Group had 4,018 employees (31 December 2016: 4,007 employees). For the year ended 31 December 2017, the Group's total remuneration and welfare benefits expenses amounted to RMB292.3 million (2016: RMB213.5 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors 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 extraordinary general meeting of the Company (the "**EGM**") held on 19 October 2011, a share option scheme (the "**Share Option Scheme**") was approved and adopted. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

For the year ended 31 December 2017, no share options were granted under the Share Option Scheme by the Company. In addition, as at 31 December 2017, no share options under the Share Option Scheme were outstanding.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2017, save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Formation and Subscription of a Trust

As disclosed in the Company's announcement dated 17 February 2017, (i) Phillip Asset Management Limited ("**PAM**") and CFCG Investment Partners International (Australia) Pty Ltd ("**CFCG Australia**"), a wholly-owned subsidiary of the Company, entered into a trust deed (the "**Trust Deed**") in relation to the formation of a trust (the "**Trust**"); and (ii) CFCG Australia entered into a subscription deed in relation to the subscription of units of the Trust. For further information, please refer to the Company's announcement dated 17 February 2017.

Termination of the Trust and Formation and Subscription of the New Trust

As disclosed in the Company's announcement dated 23 February 2017, all parties to the Trust Deed reached an agreement to terminate the Trust. No unit of the Trust has been issued by PAM. In addition, (i) Investorlink Securities Limited ("**Investorlink**") and CFCG Australia entered into a new trust deed in relation to the formation of the New Trust; (ii) CFCG Australia entered into new subscription deeds in relation to the subscription of units of the New Trust; and (iii) Investorlink and CFCG Australia entered into an investment management deed in relation to the appointment of CFCG Australia as a manager of the New Trust. For further information, please refer to the Company's announcements dated 23 February 2017, 5 May 2017, 19 May 2017, 22 May 2017 and 5 June 2017, respectively.

As disclosed in the Company's announcement dated 2 January 2018, up to 29 December 2017, Investorlink as trustee for the New Trust had disposed a total of 8,650,435 shares of G8 Education in a series of transactions conducted on the Australian Securities Exchange. For further information, please refer to the Company's announcements dated 22 December 2017 and 2 January 2018, respectively.

Purchase of Shares in Virscend Education and Issue of Consideration Shares under General Mandate

As disclosed in the Company's announcement dated 31 May 2017, the Company entered into sale and purchase agreements with Purple Fame Global Limited and Earn Wealth International Holdings Limited (collectively, the "**Vendors**"), respectively, pursuant to which the Company agreed to purchase and the Vendors agreed to sell in aggregate 180,438,000 shares of Virscend Education. The Company allotted and issued in aggregate 296,250,000 new Shares to the Vendors on 12 June 2017 to satisfy the total consideration. For further information, please refer to the Company's announcements dated 31 May 2017 and 12 June 2017, respectively.

Acquisition of Shares in SJW International and Issue of Consideration Shares under Specific Mandate

As disclosed in the Company's announcement dated 28 July 2017, (i) the Company and Mr. Siwon Lee (the "**First Seller**") entered into a share purchase agreement, pursuant to which the Company conditionally agreed to purchase and the First Seller conditionally agreed to sell 52% of the total issued shares of SJW International; and (ii) the Company and Ms. Kija Lee (the "**Second Seller**") entered into another share purchase agreement (the "**Second Share Purchase Agreement**"), pursuant to which the Company conditionally agreed to purchase and the Second Seller conditionally agreed to sell 2% of the total issued shares of SJW International. For further information, please refer to the Company's announcements dated 28 July 2017, 15 August 2017, 27 November 2017 and 29 December 2017, respectively.

As disclosed in the Company's announcement dated 31 January 2018, (i) the Company and the First Seller entered into the Amended and Restated Agreement, pursuant to which the Company conditionally agreed to purchase and the First Seller conditionally agreed to sell 10% of the total issued shares of SJW International at the consideration of US$6.0 million (equivalent to approximately HK$46.8 million); and (ii) the Company and the Second Seller entered into a termination of share purchase agreement, pursuant to which the Second Share Purchase Agreement shall be terminated. The Company allotted and issued 18,140,000 new Shares to the First Seller on 26 February 2018 in accordance with the Amended and Restated Agreement. For further information, please refer to the Company's announcements dated 31 January 2018, 1 February 2018 and 26 February 2018, respectively.

Further Acquisition of Shares in Jinlu Group

As disclosed in the Company's announcement dated 7 September 2017, from 23 May 2017 to 7 September 2017, the Company had, through an indirect wholly-owned subsidiary, acquired in aggregate 30,459,092 shares of Jinlu Group on the Shenzhen Stock Exchange at an aggregate consideration of approximately RMB283.1 million. Up to 7 September 2017, the Company held in total 60,918,239 shares of Jinlu Group, representing approximately 10.00% of the total issued shares of Jinlu Group as at 7 September 2017. For further information, please refer to the Company's announcements dated 4 November 2016 and 7 September 2017, respectively.

Deemed Disposal of Shares of Guang Da

As disclosed in the Company's announcement dated 31 October 2017, Guang Da (as issuer) and Xi Investment and Zhiyuan Investment (as subscribers) entered into a subscription agreement, pursuant to which Guang Da conditionally agreed to issue and Xi Investment and Zhiyuan Investment, respectively, conditionally agreed to subscribe for 130 shares of Guang Da at the subscription price of HK$46 million in cash (the "**Subscription**").

An ordinary resolution to approve the subscription agreement and the transactions contemplated thereunder was passed by the independent shareholders of the Company at the EGM held on 18 December 2017. Upon completion of the Subscription, the equity interest in Guang Da will be held by the Group, Xi Investment and Zhiyuan Investment as to 74%, 13% and 13%, respectively. For further information, please refer to the Company's announcements dated 31 October 2017, 17 November 2017 and 18 December 2017, respectively, and the Company's circular dated 30 November 2017.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2017.

SUBDIVISION OF SHARES

As disclosed in the Company's announcement dated 27 January 2017, the Board proposed that each of the issued and unissued Shares of HK$0.10 each in the share capital of the Company be subdivided into five Shares of HK$0.02 each (the "**Share Subdivision**"). An ordinary resolution to approve the Share Subdivision was passed by the shareholders of the Company at the EGM held on 27 February 2017. The Share Subdivision has become effective on 28 February 2017. For further information, please refer to the Company's announcements dated 27 January 2017, 27 February 2017 and 28 February 2017, respectively, and the Company's circular dated 10 February 2017.

SIGNIFICANT INVESTMENT HELD

Except for the available for sale investments and financial assets measured at fair value through profit or loss set out in this announcement, the Group did not hold any other significant investment as at 31 December 2017.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the year ended 31 December 2017, save for the equity fund raising activities set out below, the Company had not carried out any other equity fund raising activities involving the utilisation of the general mandate granted at the EGM held on 6 December 2016 and the general mandate granted at the annual general meeting of the Company (the "**AGM**") held on 1 June 2017.

Date of announcement	Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
12 December 2016	Placing of 100,000,000 new Shares (prior to the Share Subdivision) at the placing price of HK$10.00 per placing Share	Approximately HK$994 million	(i) Approximately HK$200 million shall be used for the development of financial service business, including asset management services, financial credit services, securities brokerage services and migration financial services;	(i) Approximately HK$192 million has been used for the development of financial service business, including asset management services, financial credit services, securities brokerage services and migration financial services;
			(ii) approximately HK$750 million shall be used for the development of the Group's education investment business through investment and acquisitions; and	(ii) approximately HK$759 million has been used for the development of the Group's education investment business through investment and acquisitions; and
			(iii) approximately HK$44 million shall be used as general working capital of the Group.	(iii) approximately HK$43 million has been used as general working capital of the Group.
12 June 2017	Issue of 296,250,000 new Shares at the issue price of HK$3.10 per consideration Share	N/A	Settling the consideration for the acquisition of 180,438,000 shares of Virscend Education as disclosed in the Company's announcement dated 31 May 2017.	296,250,000 new Shares have been issued for settling the consideration for the acquisition of 180,438,000 shares of Virscend Education as disclosed in the Company's announcement dated 31 May 2017.

Date of announcement	Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
14 December 2017	Issue of HK$800,000,000 convertible bonds at the initial conversion price of HK$3.27 per conversion Share	Approximately HK$751 million	The development of the Group's education operation business and financial service business, including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial service licences, and expansion of the scope and scale of service of the Group's existing financial service business.	Approximately HK$680 million has been used for the development of the Group's education operation business and financial service business, including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial service licences, and expansion of the scope and scale of service of the Group's existing financial service business.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2017, the Company had complied with the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 31 December 2017.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 and 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 2017.

COMPETITION AND CONFLICT OF INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, 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 2017, the Group had 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.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

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. The Audit Committee comprises three independent non-executive Directors and one non-executive Director. The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The Company will hold an AGM on Wednesday, 6 June 2018. Notice of the forthcoming AGM will be published and despatched to the shareholders of the Company 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 Thursday, 31 May 2018 to Wednesday, 6 June 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 30 May 2018, 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 Company's website at www.cfcg.com.hk. The annual report of the Company for the year ended 31 December 2017, in both English and Chinese versions, will be despatched to the shareholders of the Company according to their choice of means of receipt and language of corporate communications of the Company on or before 30 April 2018, and will also be available on the same websites as mentioned above.

SUBSEQUENT EVENTS

Change of Executive Director, Member of Board Committees and Authorised Representative

As disclosed in the Company's announcement dated 30 January 2018, (i) Mr. Yan Haiting resigned as an executive Director, a member of the strategy committee and the risk management committee and an authorised representative of the Company; and (ii) Dr. Zhu Huanqiang was appointed as an executive Director, a member of the strategy committee and the risk management committee and an authorised representative of the Company and would remain as the Co-CEO, both with effect from 1 February 2018. For further information, please refer to the Company's announcement dated 30 January 2018.

Acquisition of 100% Equity Interest in Tiantai Culture and Issue of Consideration Shares under General Mandate

As disclosed in the Company's announcement dated 6 February 2018, the Company, Shenzhen First Capital International Business Consulting Limited* (深圳首控國際商務諮詢有限公司), an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), Kaifeng Tiantai Culture Media Limited* (開封天泰文化傳媒有限公司) ("**Tiantai Culture**"), Mr. Yang Tongzhen and Henan Oulijin Tiantai Estates Holdings Limited* (河南歐利金天泰置業集團有限公司) (collectively, the "**Tiantai Sellers**") and Champion Alliance Holdings Incorporated ("**Champion Alliance**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Purchaser conditionally agreed to purchase and the Tiantai Sellers conditionally agreed to sell in aggregate 100% of the equity interest of Tiantai Culture at the total consideration of RMB170 million. The Company allotted and issued 76,300,000 new Shares to Champion Alliance on 26 February 2018 in accordance with the Sale and Purchase Agreement. For further information, please refer to the Company's announcements dated 6 February 2018 and 26 February 2018, respectively.

APPRECIATION

The Group would like to express its sincere appreciation for the unremitted effort and dedication made by the Board, the management of the Group and all of its staff members, as well as the continuous support from the shareholders of the Company, 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, 28 March 2018

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, Mr. Tang Mingyang, Mr. Zhao Zhijun, Ms. Li Dan and Dr. Zhu Huanqiang; the non-executive Director is Mr. Li Hua; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Dr. Li Zhiqiang and Mr. Chen Gang.

* *For identification purpose only*