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 2018

HIGHLIGHTS

RMB' million	For the six months ended 30 June 2018 (unaudited)	2017 (unaudited)	Increase/ (Decrease)
Revenue	1,016.9	963.0	5.6%
(Loss) profit for the period attributable to owners of the Company	(341.6)	4.8	(7,216.7%)
Basic (loss) earnings per Share	RMB(0.071)	RMB0.001	(7,200.0%)

RMB' million	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)	Increase/ (Decrease)
Total assets	10,152.3	9,356.6	8.5%
Equity attributable to owners of the Company	3,119.9	3,169.9	(1.6%)
Net asset value per Share *(Note)*	RMB0.64	RMB0.66	(3.0%)

Note: Net asset value per Share is arrived at by dividing equity attributable to owners of the Company by the number of issued shares of the Company (the "**Share(s)**") as at the end of the period.

INTERIM RESULTS

The Board (the "**Board**") of directors (the "**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 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	**Six months ended**	
		30.6.2018	30.6.2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*		
Goods and services		**982,173**	960,013
Interest		**34,753**	2,969
Total revenue		**1,016,926**	962,982
Cost of sales/services		**(703,531)**	(682,121)
Gross profit		**313,395**	280,861
Other income and expenses	*4*	**22,050**	11,761
Other gains and losses	*5*	**(37,328)**	73,504
Fair value changes of financial assets measured at fair value through profit or loss	*6*	**(243,149)**	(20,772)
Fair value changes of embedded derivative components of convertible bonds		**(3,239)**	–
Research and development expenditure		**(31,080)**	(30,023)
Selling and distribution expenses		**(52,935)**	(44,161)
Administrative expenses		**(164,520)**	(195,714)
Share of results in associates		**270**	–
Share of results in joint ventures		**33,930**	(1,906)
Finance costs		**(123,269)**	(51,115)
(Loss) profit before tax		**(285,875)**	22,435
Taxation	*7*	**(33,841)**	1,070
(Loss) profit for the period		**(319,716)**	23,505

	Notes	Six months ended 30.6.2018 RMB'000 (unaudited)	30.6.2017 RMB'000 (unaudited)
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**28,232**	17,634
Fair value changes of available for sale investments, net of associated tax		**–**	(39,260)
		28,232	(21,626)
Items that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		**10,593**	(67,362)
Other comprehensive income (expense) for the period, net of income tax		**38,825**	(88,988)
Total comprehensive expense for the period		**(280,891)**	(65,483)
(Loss) profit for the period attributable to:			
Owners of the Company		**(341,634)**	4,750
Non-controlling interests		**21,918**	18,755
		(319,716)	23,505
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(298,278)**	(83,487)
Non-controlling interests		**17,387**	18,004
		(280,891)	(65,483)
(Loss) earnings per Share – Basic *(RMB)*	*9*	**(0.071)**	0.001
– Diluted *(RMB)*	*9*	**(0.071)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Notes	**30.6.2018** *RMB'000* **(unaudited)**	31.12.2017 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**878,090**	859,385
Prepaid lease payments		**268,456**	272,159
Investments in associates		**6,305**	6,036
Interests in joint ventures	*10*	**858,424**	819,636
Intangible assets		**236,816**	254,683
Available for sale investments	*11*	**–**	616,184
Financial assets measured at fair value through profit or loss	*11*	**595,871**	–
Deposits for investments		**380,000**	380,000
Goodwill		**365,380**	365,380
Deferred tax assets		**17,477**	15,464
Loan and interest receivables	*12*	**31,200**	–
Other receivables	*13*	**75,159**	163,739
		3,713,178	3,752,666
CURRENT ASSETS			
Inventories		**134,684**	227,853
Property under development for sale		**256,229**	–
Loan and interest receivables	*12*	**1,271,420**	511,963
Trade and other receivables	*13*	**838,537**	738,022
Prepaid lease payments		**7,096**	6,803
Financial assets measured at fair value through profit or loss	*11*	**2,682,752**	2,868,614
Security account balances		**7,170**	7,969
Restricted bank balances		**862,513**	556,252
Bank balances and cash		**378,706**	686,477
		6,439,107	5,603,953
TOTAL ASSETS		**10,152,285**	9,356,619
CURRENT LIABILITIES			
Amount due to an associate		**1,644**	2,425
Trade and other payables	*14*	**1,769,787**	1,587,904
Amount due to joint ventures		**140,480**	103,270
Advances from customers		**–**	1,957
Borrowings		**2,177,412**	1,377,104
Income tax payable		**92,739**	62,499
Deferred income		**2,549**	142,586
Contract liabilities		**128,350**	–
Provisions		**7,100**	4,695
		4,320,061	3,282,440
NET CURRENT ASSETS		**2,119,046**	2,321,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,832,224**	6,074,179

	Notes	30.6.2018 *RMB'000* (unaudited)	31.12.2017 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Borrowings		**1,152,773**	1,584,364
Other payables	*14*	**328**	324
Convertible bonds		**649,670**	634,149
Contingent consideration payables		**29,776**	29,923
Embedded derivative components of convertible bonds		**10,348**	6,945
Deferred income		**41,415**	215,454
Contract liabilities		**193,289**	–
Long term payables		**28,669**	27,496
Deferred tax liabilities		**140,567**	113,738
		2,246,835	2,612,393
TOTAL LIABILITIES		**6,566,896**	5,894,833
OWNERS' EQUITY			
Share capital	*15*	**81,626**	80,096
Reserves		**3,038,287**	3,089,799
Equity attributable to:			
Owners of the Company		**3,119,913**	3,169,895
Non-controlling interests		**465,476**	291,891
		3,585,389	3,461,786
TOTAL LIABILITIES AND OWNERS' EQUITY		**10,152,285**	9,356,619

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2.1 Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

2.2 Impacts on the condensed consolidated statement of financial position arising from the application of all new standards

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018#
	RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Advances from customers	1,957	(1,957)	–
Deferred income	142,586	(140,392)	2,194
Contract liabilities	–	142,349	142,349
NON-CURRENT LIABILITIES			
Deferred income	215,454	(174,910)	40,544
Contract liabilities	–	174,910	174,910

The amounts in this column are before the adjustments from the application of HKFRS 9.

Summary of effects arising from initial application of HKFRS 9

The table below illustrate the classification and measurement of financial assets and other financial statements line items subject to HKFRS 9 at the date of initial application 1 January 2018.

	AFS+ investments *RMB'000*	**Financial assets designated at FVTPL^** *RMB'000*	**Held for trading investments** *RMB'000*	**Financial assets measured at FVTPL required by HKFRS 9** *RMB'000*	**Interests in joint ventures** *RMB'000*	**Deferred tax liabilities** *RMB'000*	**AFS reserves** *RMB'000*	**Retained earnings (losses)** *RMB'000*
Closing balance at 31 December 2017–HKAS 39	616,184	1,734,594	1,134,020	–	819,636	113,738	8,192	(71,302)
Effect arising from initial application of HKFRS 9:								
Reclassification								
From AFS investments to FVTPL	(616,184)	–	–	616,184	–	–	–	–
From designated at FVTPL to FVTPL	–	(1,734,594)	–	1,734,594	–	–	–	–
From AFS reserves to retained earnings (losses)	–	–	–	–	–	–	(8,192)	8,192
From held for trading investments to FVTPL	–	–	(1,134,020)	1,134,020	–	–	–	–
Remeasurement								
From measured at cost to FVTPL	–	–	–	8,548	–	–	–	8,548
From measured at cost to FVTPL	–	–	–	–	–	1,410	–	(1,410)
Change on share of results in joint ventures due to the HKFRS 9 adopted by joint ventures	–	–	–	–	5,523	–	–	5,523
Opening balance at 1 January 2018– HKFRS 9	–	–	–	3,493,346	825,159	115,148	–	(50,449)

\+ Available for sale ("**AFS**")

^ Fair value through profit or loss ("**FVTPL**")

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 is 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.

During the current period, an additional segment (i.e. "properties development and sales business") was identified following the completion of acquisition of new business. No revenue has been generated by the new segment of "properties development and sales business" and the incurred costs/expenses is insignificant, accordingly no separate segment information on the new identified segment is presented.

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

- Automobile 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, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services.

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

(b) Segment revenue and segment results

	Segment revenue Six months ended		**Segment results Six months ended**	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Automobile parts business	**817,613**	796,529	**192,088**	167,564
Financial services business	**67,922**	47,697	**67,438**	47,328
Education operation business	**131,391**	118,756	**53,869**	65,969
Total segments and consolidated	**1,016,926**	962,982	**313,395**	280,861
Other income and expenses			**22,050**	11,761
Other gains and losses			**(37,328)**	73,504
Fair value changes of financial assets measured at FVTPL			**(243,149)**	(20,772)
Fair value changes of embedded derivative components of convertible bonds			**(3,239)**	–
Research and development expenditure			**(31,080)**	(30,023)
Selling and distribution expenses			**(52,935)**	(44,161)
Administrative expenses			**(164,520)**	(195,714)
Share of results in associates			**270**	–
Share of results in joint ventures			**33,930**	(1,906)
Finance costs			**(123,269)**	(51,115)
(Loss) profit before tax			**(285,875)**	22,435

(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).

Over 95% (six months ended 30 June 2017: 97%) of the Group's revenue from external customers is derived from the PRC.

4. OTHER INCOME AND EXPENSES

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**18,242**	8,879
Storage services income	**2,743**	2,882
School campus ancillary services income	**38,530**	28,239
Less: associated expenses related to school campus ancillary services	**(37,465)**	(28,239)
	22,050	11,761

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Donation	**(95)**	(89)
Exchange (loss) gain, net	**(36,132)**	23,608
Government grants	**1,449**	1,629
Gain from scrap sales	**3,699**	2,111
Investment gains	**14,654**	16,121
Gain on disposal of subsidiaries	**–**	23,560
Loss on disposal of property, plant and equipment	**–**	(118)
Release of asset-related government grants	**1,275**	523
(Provision) reversal of allowance for doubtful trade receivables, net	**(2,488)**	6,713
Impairment loss on inventories	**(23,508)**	(2,439)
Others	**3,818**	1,885
	(37,328)	73,504

6. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FVTPL

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Unlisted investments:		
– In Hong Kong	**(6,098)**	–
– Overseas	**19,992**	–
	13,894	–
Equity securities:		
– Listed in Hong Kong	**137,516**	156,832
– Listed in the PRC	**(312,080)**	(177,604)
– Listed overseas	**(82,479)**	–
	(257,043)	(20,772)
	(243,149)	(20,772)

7. TAXATION

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax expenses		
– From the PRC	**21,838**	20,878
– Outside the PRC	**3,996**	2,609
	25,834	23,487
Deferred tax expenses (credit)	**8,007**	(24,557)
	33,841	(1,070)

8. DIVIDENDS

The Directors have determined that no interim dividend will be declared in respect of the six months ended 30 June 2018 and 2017. No dividends have been paid and declared by the Company for the six months ended 30 June 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2018	30.6.2017
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per Share (RMB'000)	**(341,634)**	4,750
Number of Shares		
Weighted average number of ordinary Shares for the purpose of basic (loss) earnings per Shares	**4,842,721,000**	4,512,348,000

For the six months ended 30 June 2018, the calculation of diluted loss per Share did not assume the conversion of the Company's outstanding convertible bonds as it exercise would result in a decrease in loss per Share.

For the six months ended 30 June 2017, no diluted earnings per Share are presented as there were no potential ordinary Shares outstanding during the reporting period or as at 30 June 2017.

10. INTERESTS IN JOINT VENTURES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of interests in joint ventures	**861,714**	861,430
Share of results and other comprehensive expenses	**(3,290)**	(41,794)
	858,424	819,636

11. FINANCIAL ASSETS MEASURED AT FVTPL/AFS INVESTMENTS

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Financial assets:		
– AFS investments *(Note a)*	**–**	616,184
– measured at FVTPL	**3,278,623**	2,868,614
	3,278,623	3,484,798
Analysed for reporting purposes as:		
Current assets *(Note b)*	**2,682,752**	2,868,614
Non-current assets	**595,871**	616,184
	3,278,623	3,484,798

Notes:

a. Upon adoption of HKFRS 9, the investments shall be measured at FVTPL

b. The details of current portion of financial assets measured at FVTPL at the end of each reporting period are as follows:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Equity securities:		
– Listed in Hong Kong	**2,024,056**	1,920,176
– Listed in the PRC	**560,190**	869,900
– Listed overseas	**98,506**	78,538
	2,682,752	2,868,614

12. LOAN AND INTEREST RECEIVABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Loan receivables	**1,251,014**	503,894
Interest receivables	**51,606**	8,069
	1,302,620	511,963

The contractual maturity dates are as follows:

Within one year	**1,271,420**	511,963
More than one year, but not exceeding two years	**31,200**	–
	1,302,620	511,963

13. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**584,337**	532,723
Less: allowance for doubtful trade debts	**(15,939)**	(13,451)
	568,398	519,272
Bills receivables	**71,273**	58,010
Other receivables	**206,669**	269,747
Less: allowance for doubtful other debts	**–**	–
	206,669	269,747
Value-added tax recoverable	**6,917**	9,945
Advance to suppliers	**60,439**	44,787
	913,696	901,761
Less: amounts shown under non-current assets	**(75,159)**	(163,739)
Total trade and other receivables	**838,537**	738,022

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

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**468,884**	488,348
91 to 180 days	**82,029**	26,161
181 to 365 days	**17,485**	4,763
	568,398	519,272

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

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 120 days	**67,273**	58,010
121 to 180 days	**4,000**	–
	71,273	58,010

14. TRADE AND OTHER PAYABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**604,431**	552,778
Bills payables	**155,350**	111,670
	759,781	664,448
Other payables	**380,859**	511,362
Customer deposits for securities trading	**373,583**	122,252
Consideration payables for acquisition of businesses	**930**	58,301
Other payables to employees	**459**	453
Other tax payables	**61,281**	49,559
Other accruals	**98,892**	91,177
Payroll and welfare payables	**94,330**	90,676
	1,770,115	1,588,228
Less: Amount shown under non-current liabilities	**(328)**	(324)
Total trade and other payables shown under current liabilities	**1,769,787**	1,587,904

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

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**462,937**	463,176
91 to 180 days	**102,572**	65,942
181 to 365 days	**31,763**	15,202
1 to 2 years	**7,159**	8,458
	604,431	552,778

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

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**14,500**	11,170
31 to 60 days	**10,850**	46,500
61 to 90 days	**20,000**	–
91 to 180 days	**110,000**	54,000
	155,350	111,670

15. 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 2017 and 27 February 2017	10,000,000,000	1,000,000,000
Share subdivision on 28 February 2017 *(Note a)*	40,000,000,000	N/A
At 28 February 2017, 31 December 2017 and 30 June 2018	50,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2017	896,250,000	89,625,000
Share subdivision on 28 February 2017	3,585,000,000	–
Issue of Shares *(Note b)*	296,250,000	5,925,000
At 31 December 2017	4,777,500,000	95,550,000
Issue of Shares *(Note c)*	18,140,000	362,800
Issue of Shares *(Note c)*	76,300,000	1,526,000
At 30 June 2018	4,871,940,000	97,438,800

Notes:

a. On 28 February 2017, each of the issued and unissued Share of HK$0.10 each in the share capital of the Company has been subdivided into five shares of HK$0.02 each, details of which were set out in the Company's announcements dated 27 January 2017, 27 February 2017 and 28 February 2017 and the Company's circular dated 10 February 2017.

b. 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 (HK.1565) (which is classified as financial assets measured at FVTPL), a company listed on the Main Board of the Stock Exchange.

c. On 26 February 2018, 18,140,000 Shares and 76,300,000 Shares were allotted and issued by way of consideration issue for the purpose of acquiring 10% of the equity interest of SJW International Co., Ltd. ("**SJW International**") (which is classified as financial assets measured at FVTPL) and 100% of the equity interest of Kaifeng Tiantai Culture Media Limited* (開封天泰文化傳媒有限公司) ("**Tiantai Culture**"), respectively.

	30.6.2018 *RMB'000* **(unaudited)**	31.12.2017 *RMB'000* (audited)
Share capital presented in the condensed consolidated statement of financial position	**81,626**	80,096

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started moving into financial services business, and has provided services such as dealing in securities, underwriting and placing, 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, financial services and education operation as support. The combination of the three key operations enables the Group to achieve a balancing development. The Group aspires to build a platform for education industry operation and investment and financing, powered by a dual-pronged strategy of "Education Operation and Financial Services".

The Company was selected as a constituent of the MSCI China All Shares Small Cap Index in June 2016, and was adjusted to become a constituent of the MSCI Global Standard Indexes and the MSCI China All Shares Index in June 2018. Following its selection as a constituent of FTSE Global Equity Index Series Asia Pacific ex Japan Regional Index in March 2017, the Company was selected as a constituent of the Hang Seng Composite Index Series and Hang Seng Stock Connect Hong Kong Index Series in March 2018 and was honorably advanced into the list of eligible securities for "Southbound Trading" under "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", and will become a constituent of the Hang Seng SCHK New Economy Index in September 2018.

The business development strategy of the Group enjoys wide recognition from different parties. In June 2018, the Company was honored with the "The 13th Capital Outstanding China Enterprise Awards-Education Investment Bank Award" by Capital Magazine. In August 2018, First Capital Fund Management Company Limited* (首控基金管理有限公司) ("**FC Fund**"), a subsidiary of the Company, won the award "2018 Most Influential Brand among China's Education Investment Institutions" of the 21st China International Education Brand Innovation Summit. In addition, after garnering a total of seven international awards at the 2016 Vision Awards, the 2017 Galaxy Awards and the 31st International ARC Awards for its 2016 annual report, the Group won six awards at the 2017 Vision Awards hosted by the League of American Communications Professionals LLC (LACP) for its 2017 annual report, including the Gold Winner Worldwide in the Financials-Diversified Services category and the Top 100 Reports Worldwide and was totally honored with four awards at the 32nd International ARC Awards organized by MerComm, Inc. and the IADA 2018 Summer Season selection organised by The International Annual Report Design Awards (IADA).

BUSINESS REVIEW

Education Operation Business

According to the research conducted by Parthenon-EY, a world-renowned educational consulting institution, education business is the eighth largest economic industry of the world, while private education is a market worth trillions of United States dollars. As China is the world's second largest consumer in private education behind the United States (the "**US**"), the potential market for main private education segments in China worths US$28 billion with an annual growth rate of more than 10%. Family education expenditure has been on a continuous increment attributed to the growing per capita disposable income of Chinese citizens, the growing concern of parents on quality education, and the implementation of the "Universal Two-child Policy" across the country. Furthermore, China has successively completed the amendments of the laws related to private education, in order to implement non-profit and for-profit classification management towards private schools, encourage the private sector to establish education and promote the healthy development of private education. Under the joint influence of technologies, market trends and policies, the capital market of private education has become increasingly active and social capital continues to flow in, which boost the development of education industry. As securitization of educational assets is on the fast track of development, more and more private education enterprises are now seeking to list in Hong Kong or the US, the number and scale of listed companies of the educational sector have grown successively.

In view of the above, the Group actively grasped the development opportunities of the industry during the review period, with a focus on exploring, cultivating, investing in and operating high quality education assets. Segments that could adapt to the developing trend of mainstream education, cater to the unique Chinese characteristics and have unique competitive advantages of the Group have been preferentially selected. The Group focused on investing in the benchmark assets and bolt-on assets in such segments as childhood education, K-12 education, vocational (training) education, and media and arts education. The Group also endeavored to develop education management service, optimize education assets allocation, promote project synergy and integration, explore the potentiality of education assets and enhance their intrinsic value, for the purpose of establishing the core competitiveness of the Group.

After subscribing for the shares of MindChamps PreSchool Limited ("**MindChamps PreSchool**") (a company listed on the Main Board of Singapore Exchange Limited ("**SGX**"), stock code: CNE), the largest operator and franchisor of premium range preschool centres in Singapore as a cornerstone investor in 2017, the Company entered into a joint venture agreement with MindChamps Preschool in February 2018 establishing a fund and a joint venture, in order to establish and acquire preschools in China and operate them under the brand name of "MindChamps".

During the review period, the Group actively looked for business opportunities in the online education sector, and in January 2018, the Group entered into an amended and restated share purchase agreement (the "**Amended and Restated Agreement**") to acquire 10% of the total issued shares of SJW International. As the first provider of online adult English video courses in the Republic of Korea ("**Korea**"), SJW International owns a well-known online education brand "Siwon School" in Korea and its core businesses include basic adults English courses, online children English courses, as well as Chinese, Japanese and Spanish video language courses.

In June 2018, in order to seize future business opportunities in the United Kingdom (the "**UK**") and further expand the Group's footprint in education operation business, the Company subscribed for 29,400,000 new shares of KSI Education Ltd ("**KSI Education**"), representing approximately 49.0% of its enlarged total issued shares, at the consideration of £29.4 million (equivalent to approximately HK$309 million). The business plan of KSI Education is to engage in exploring, cultivating, investing in and operating of high-quality education resources around the globe (the UK in particular), and adapt such resources to the China's education market.

During the review period, the Group actively integrated high-quality educational resources in China and overseas, adapted to educational market demands, and promoted cooperation and resources sharing in educational projects, in order to achieve a win-win situation. In January 2018, the Group was alongside with various education institutions in Singapore to convene a seminar concerning international education, with in-depth discussion and research on the introduction, implementation and integration of international courses in China. In May 2018, the Group was invited to join the 2018 ASU+GSV Education Technology Summit held in the US and delivered a keynote speech. In addition, the Group, various education institutions and corporations from China paid a visit to certain innovative education institutions, such as AltSchool, in order to discuss development model for future education. During the summer break of 2018, the Group organized several summer camps. In the "2018 KSI – A Different Summer for Youngsters" Summer Camp, it led Chinese students through a study tour in London to experience native English education and pure English learning environment. In the "2018 Childhood Happy Camp – International Summer School" Summer Camp, it introduced the teaching teams of AltSchool and High Tech High, two innovative schools from the US, to introduce to Chinese students about the teaching concepts and methods of popular foreign courses, namely "Science, Technology, Engineering, Mathematics Teaching Method" (STEM) and "Project-Based Learning" (PBL). In the "Experience and Growth" First Capital – Xishan Summer Camp and the "Come to Xishan, Brighten the Future" Summer Camp, characteristic activities such as martial arts and football training were organized, so that children could experience the culture and learning atmosphere of Xishan schools.

The Group also strengthened the operations management and financial management of its invested educational projects and provided diversified value-added services, which improved both the scale and quality of its education businesses. In the meantime, the Group actively developed its characteristic education such as football, martial arts, sports and pure arts, and obtained series of awards. The women's football team in the primary school of Fuqing Xishan School* (福清西山學校) won the championship of Five-a-side Football (Primary School) of 2018 Fujian Youth "Future Star" Sunshine Sports Games, while its men's football team in the middle school won the first prize of 2018 Fujian Youth Campus Football League and High School Football Tournament (Middle School).

Financial Services Business

During the review period, the Group's financial services 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 Holdings**") and Stirling Coleman Capital Limited ("**Stirling Coleman**") capitalized through the Group's advantages of having diversified financial licenses and well-established financial services system, to actively develop its respective businesses.

FC Securities was licenced to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("**SFO**"). In addition to dealing in securities and providing margin business to customers, it also engaged in underwriting and placing of shares for listed companies and listing applicants. As of the date of this announcement, FC Securities acted as (i) a joint global coordinator, joint bookrunner and joint lead manager for the listing of Bojun Education Company Limited ("**Bojun Education**") (a company listed on the Main Board of the Stock Exchange, stock code: 1758) and Kinergy Corporation Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 3302), (ii) a joint bookrunner and joint lead manager for the listing of China Xinhua Education Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2779), Top Education Group Ltd (a company listed on the Main Board of the Stock Exchange, stock code: 1752), China 21st Century Education Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1598), Hope Education Group Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code:1765) and Shanshan Brand Management Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1749), and (iii) a co-manager for the listing of BExcellent Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1775). During the review period, FC Securities was engaged in the underwriting of bonds for the first time and acted as a joint bookrunner and joint lead manager for the issuance of US$ senior notes of Zhongrui Industrial Group Limited. As of 31 July 2018, FC Securities was parallelly ranked the 12th on Bloomberg's list of securities dealers by initial public offering ("**IPO**") underwriting business in Hong Kong in 2018 in terms of the number of projects underwriting, and it was ranked the 28th in 2018 in terms of the amount of IPO proceeds raised. Leveraging the the Group's strategy of whole industry chain in education industry, FC Securities features educational finance, focuses on the education industry while taking other areas into account. From the commencement of FC Securities to the date of this announcement, a total of 12 education enterprises had been listed through IPO on the Main Board of the Stock Exchange, in which FC Securities was engaged in nine underwriting projects, which reached a coverage of 75%.

FC Asset Management was licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. During the review period, First Capital Education Selected Fund which is under the management of FC Asset Management, focused on equity and debt investment in the education industry and was in a satisfactory manner. FC Asset Management is currently preparing to issue the MindChamps-First Capital PreSchool China Fund (with the investment objective of establishing and acquiring preschools in China and operating them under the brand name of "MindChamps") and First Capital Multi-Series Fund SPC (with the investment objective of adopting diverse and flexible investment strategies to invest in the global stock market and IPO to deliver mid to long-term capital appreciation). 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) ("**FC Equity**"), 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 it to initiate establishment or entrustment as management of foreign-invested equity investment companies, domestic private equity funds and venture capital funds, and raise funds from domestic and overseas investors in a non-public manner. During the review period, FC Equity successfully issued First Capital (Shenzhen) Education Industry Equity Investment Fund.

FC International Finance was licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO and Stirling Coleman was licensed by the Monetary Authority of Singapore to conduct regulated activities in relation to securities trading and advising on corporate finance in Singapore. They could jointly provide diversified corporate financing services. During the review period, Stirling Coleman served as a coordinator and financial advisor for the issuance of US$ convertible bonds of Sunpower Group Ltd. (a company listed on the Main Board of SGX, stock code: 5GD) and as the sole coordinator of Universal Engeisha Co., Ltd. (a company listed on the Main Board of Tokyo Stock Exchange, stock code: 6061) in a merger and acquisition transaction.

FC Fund and its several subsidiaries have registered as private equity fund managers with the AMAC and have been managing certain funds. Among them, Wuxi Guolian First Capital Equity Investment Fund Center (Limited Partnership)* (無錫國聯首控股權投資基金中心(有限合夥)) ("**FC Guolian**"), for which FC Fund serves as a manager, invested in Bojun Education in 2016. Bojun Education operates one middle and high school, two middle schools and six preschools in Chengdu of Sichuan Province. As measured by the student enrollment numbers of middle schools and preschools in 2017/2018 school year, Bojun Education ranked the second in the private middle school education industry and the fifth in the private preschool education industry in Chengdu. In July 2018, Bojun Education was listed on the Main Board of the Stock Exchange. As at the date of this announcement, FC Guolian holds 150 million shares of Bojun Education, representing 18.21% of its total issued shares. Furthermore, Sub-fund No.1 of Chongqing First Capital Cultural Investment Equity Investment Fund (Limited Partnership)* (重慶首控文投股權投資基金合夥企業(有限合夥)1號子基金) ("**Sub-fund No.1 of FC Wentou**"), for which FC Fund serves as a manager, invested in Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司) ("**Xinjiang Edukeys**", together with its subsidiaries, "**Edukeys Group**") in 2017 and held 65% equity interest in Xinjiang Edukeys. Edukeys Group is a group of international educational institutions devoting to professional education consulting services. The business of Edukeys Group covers development, operation and management of international education products. Currently, Edukeys Group primarily operates PGA (Project of Global Access) high school international program, which is a series of international programs formulated based on the features of high school education in China that suits to Chinese students. In August 2018, the Group acquired 100% of the equity interest in Xinjiang Edukeys held by Sub-fund No. 1 of FC Wentou, Mr. Wei Wei and Ms. Zhao Huiwen (collectively, the "**Edukeys Vendors**").

FC International Holdings was principally engaged in migration financial services businesses. During the review period, FC International Holdings engaged in overseas migration, overseas property purchasing, international education and overseas study services, in order to provide diversified and professional solutions to customers in relation to migration financing and global asset allocation.

Automotive Parts Business

Facing with fierce market competition, the Group's automotive parts business drew on its existing brand and technical strengths to achieve higher level of product research and development ("**R&D**") and quality control, as well as to establish efficient and productive factories. While consolidated the existing markets, it also explored the potentiality of the market deeply in order to open up new markets.

During the review period, the Group operated its automotive parts business by adhering to the principle of "Developing the Market, Focusing on Quality, Improving R&D, and Strengthening Management", and implemented the Amoeba Management Model by practicing the concept of "Everyone is an Operator" in a top-down approach. The Group manufactured approximately 5.73 million different types of shock absorbers and managed to develop new markets of Geely, Dongfeng Renault and Shanghai Volkswagen etc. The Group also completed new product researches of shock absorbers for SAIC EP22, SGMW CN180N, HAIMA AB03 and ZOTYE M12E, and was awarded as an Excellent Spare and Accessory parts Supplier by FAW Haima Automobile Co., Ltd.* (一汽海馬轎車股份有限公司).

OUTLOOK

Education Operation Business

The education demand is driven by economic development. In the wake of the increment of per capita GDP, gross enrollment rate and education expenditure will also be increased. During the last decade, global private education boosted rapidly and has been gaining the market share from public education continuously, and the proportion of students in private middle schools, primary schools and preschools increased significantly.

In China, as the disposable income of Chinese residents increased, middle class with better educational levels who gives higher priority to educational expense rose, and as the "Universal Two-child Policy" was implemented, they jointly boost the increment of education expenditure continuously. Meanwhile, China has almost finished amending its relevant laws and supportive policies on private education which encourage private sector to establish private education, private education will be developed in an orderly manner under classification management. The government has put more emphasis on the development of education industry, resources and supports in the education sector would be increased. In October 2017, China President Mr. Xi Jinping stated in the report to the 19th National Congress of the Communist Party of China that strengthening education is fundamental to our pursuit of national rejuvenation.

We must give priority to education, further reform in education, speed up its modernization, and develop education that people are satisfied with. In March 2018, State Council Premier, Mr. Li Keqiang, pointed out in the government work report to the 1st meeting of the 13th National People's Congress of the PRC that the government will adhere to give priority to education development, and fiscal education expenses will account for more than 4% of GDP continuously, the state will give efforts on developing vocational education, and will support and regulate private sector to establish vocational education. In June 2018, the "Key Points for the Work of the Inter-Ministerial Joint Conference on Private Education in 2018" (《民辦教育工作部際聯席會議2018年工作要點》) was jointly promulgated by thirteen departments including the Ministry of Education, the report requested to revolve the working direction of the internal development, expedite the establishment of supportive policy system, proactively optimize the supportive and regulatory mechanism, promote the classification management reform in a smooth and orderly manner, and facilitate the sustainablility and healthy development of private education.

The Group is of the view that the private education market is with the features of high demand, low concentration, stable and predictable revenue, high barrier for new entrants and bright development prospect. Given the advantages of the Group in its brand name, resources, channels and talents in the industry, the Group shall be able to grasp opportunities brought forth by the vigorous development of private education.

In the second half year, the Group will continue to grasp market opportunities, especially the new opportunities for business development brought by classification management of private education as well as diversification and integration of the industry, and will further expand its business in global education market. Segments that could adapt to the developing trend of mainstream education and cater to the unique Chinese characteristics will be preferentially selected. The Group will focus on such segments as childhood education, K-12 education, vocational (training) education, and media and arts education, integrate high-quality educational resources and various educational assets from home and overseas.

The Group endeavored to develop education management service, optimize education assets allocation, promote project synergy and integration, explore the potentiality of education assets profoundly and enhance their intrinsic value, for the purpose of establishing the core competitiveness of the Group. The Group will also continue to optimize post-investment management of its educational projects, execute various existing cooperation agreements, and establish international schools and courses in its educational projects and overseas in due course, promote cooperation and resources sharing among educational projects in terms of curriculum, technology, brand and operation etc., for the purpose of enhancing the overall value of the educational projects.

Financial Services Business

As of 31 July 2018, there were 110 companies listed on the Stock Exchange in 2018, raised a total amount of HK$106.49 billion and made Hong Kong become one of the world's most active IPO markets again. The Stock Exchange sustains its efforts of building an integrated platform to connect markets across the border and promoting the unique position of Hong Kong as an international financial center. In April 2018, the Stock Exchange announced the reform of its listing system allowing companies to be listed on the Stock Exchange in the form of "Weighted Voting Rights" (WVR). This enables Hong Kong market to attract more new-economy and innovative-concept enterprises of various types. The "Shanghai-Hong Kong Stock Connect", the "Shenzhen-Hong Kong Stock Connect" and the "Bond Connect" have been officially launched in recent years. To enhance the Mainland-Hong Kong Stock Connect, the daily quotas under both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect has been quadrupled with effect from 1 May 2018. Since June 2018, 234 China A-shares have been included into the MSCI indexes, which have played a prominent role in attracting international investors to invest in the China A-share market. The above measures and actions were designed not only to meet the demand for overseas asset allocation among Mainland investors, and also to offer foreign investors an easier way to access the Mainland capital market, and leading it to be opened and globalized.

Given the growing interest of capital markets in the education industry and the booming development of private education sector in China, leveraging the strategy of whole industry chain of the Group in education industry, the Group's financial services business is with abundant resources, high brand recognition and market influence. Following the trend of educational projects being listed, the Group will seek to unleash the synergy between its financial services business and eduction operation business. The Group will intensively explore the demand of customers, give full play to the advantages of its diversified financial licenses, establish First Capital Financial Group Limited, and build a boutique investment bank with distinctive characteristics, engage in cornerstone investment and secondary market investment in listed education projects appropriately, to establish the leading position of the Group in the education finance industry.

The "Belt and Road Initiative" has opened a window of opportunities and become a new platform for international cooperation. In response to the "Belt and Road Initiative", the Group will continue to expand its financial services platform to cover regions beyond China and Hong Kong. The Group will quickly get into Singapore's capital markets through its subsidiaries, CFCG Investment Partners International (Singapore) Pte. Ltd. and Stirling Coleman as direct platforms. The Group believes that Singapore, as a major international financial center, is a strategic gateway to access the financial and capital markets in Southeast Asia and expects increasing trading, financing and other capital market activities in China, Hong Kong and Singapore could create business opportunities for the markets.

To meet the needs of global asset allocation of high net-worth individuals in China, and the increasing demand of foreign investors for RMB asset allocation, the Group will make full use of its existing asset management platform and migration financial services platforms as well as the channels offered by qualified foreign limited partners (QFLP), in order to provide customers with professional and quality one-stop comprehensive 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 this business segment.

In the second half year, the Group's automotive parts business will continue to aim for "Top Quality and Customer Satisfaction", strengthen the implementation of its quality system, deepen the reform of its performance remuneration and employment systems, improve product quality and customer satisfaction by means of adopting the Amoeba Management Model, and continue to capitalize on its advantage on existing brand and technologies. While consolidating the existing markets, the Group will also explore the potentiality of the market deeply in order to open up new markets.

The Group treats the construction of R&D capability as its core work, it strives to build its R&D centers in Italy and Nanyang into first-class R&D bases by equipping them with advanced experiment, testing equipment and excellent design technology experts, with a view to boosting its reserve and marketing application of new technologies. The Group will also build a digitized workshop for the smart manufacturing of shock absorbers and conduct the automation transformation for the assembly lines of general assembly workshops, to boost automatic manufacturing processes and automatic error correction, in order to achieve higher production capacity and efficiency.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group's overall revenue increased by approximately 5.6% to approximately RMB1,016.9 million from approximately RMB963.0 million in the corresponding period of 2017, of which revenue from automotive parts business increased by approximately 2.6% to approximately RMB817.6 million from approximately RMB796.5 million in the corresponding period of 2017, revenue from financial services business increased by approximately 42.3% to approximately RMB67.9 million from approximately RMB47.7 million in the corresponding period of 2017, and revenue from education operation business increased by approximately 10.6% to approximately RMB131.4 million from approximately RMB118.8 million in the corresponding period of 2017. The increase in revenue was primarily due to the expansion of automotive parts business and education operation business, as well as rapid growth of financial services business.

Cost of sales/services

For the six months ended 30 June 2018, the Group's overall cost of sales/services increased by approximately 3.1% to approximately RMB703.5 million from approximately RMB682.1 million in the corresponding period of 2017, of which cost of sales from automotive parts business decreased by approximately 0.5% to approximately RMB625.5 million from approximately RMB628.9 million in the corresponding period of 2017, cost of services from financial services business increased by approximately 25.0% to approximately RMB0.5 million from approximately RMB0.4 million in the corresponding period of 2017, and cost of services from education operation business increased by approximately 46.8% to approximately RMB77.5 million from approximately RMB52.8 million in the corresponding period of 2017. The increase in cost of sales/services was mainly driven by the increase in costs of services of education operation business.

Gross profit

For the six months ended 30 June 2018, the Group's overall gross profit increased by approximately 11.6% to approximately RMB313.4 million from approximately RMB280.9 million in the corresponding period of 2017, of which gross profit from automotive parts business increased by approximately 14.6% to approximately RMB192.1 million from RMB167.6 million in the corresponding period of 2017, gross profit from financial services business increased by approximately 42.5% to approximately RMB67.4 million from approximately RMB47.3 million in the corresponding period of 2017, and gross profit from education operation business decreased by approximately 18.3% to approximately RMB53.9 million from approximately RMB66.0 million in the corresponding period of 2017. The increase in gross profit was mainly attributable to increase in sales of automotive parts business, as well as rapid growth of financial services business.

Gross profit margin

For the six months ended 30 June 2018, the Group's overall gross profit margin increased by approximately 1.6 percentage points to approximately 30.8% from approximately 29.2% in the corresponding period of 2017, of which gross profit margin for automotive parts business increased by approximately 2.5 percentage points to approximately 23.5% from approximately 21.0% in the corresponding period of 2017, gross profit margin for financial services business increased by approximately 0.1 percentage points to approximately 99.3% from approximately 99.2% in the corresponding period of 2017, and gross profit margin for education operation business decreased by approximately 14.6 percentage points to approximately 41.0% from approximately 55.6% in the corresponding period of 2017. The increase in gross profit margin was mainly due to decrease in price of raw materials of automotive parts business.

Other income and expenses, other gains and losses

For the six months ended 30 June 2018, the Group recorded other income and other losses amounted to approximately RMB22.1 million and approximately RMB37.3 million respectively, while recorded other income and other gains amounted to approximately RMB11.8 million and approximately RMB73.5 million respectively in the corresponding period of 2017. Such other income and other losses for the current period mainly included: (i) exchange loss of approximately RMB36.1 million; (ii) inventories impairment loss of approximately RMB23.5 million; (iii) interest income of approximately RMB18.2 million; and (iv) dividend income from financial assets measured at FVTPL of approximately RMB14.7 million.

Fair value changes of financial assets measured at FVTPL

For the six months ended 30 June 2018, the fair value changes of financial assets measured at FVTPL of the Group increased to a loss of approximately RMB243.1 million from a loss of approximately RMB20.8 million in the corresponding period of 2017. Such loss was mainly due to changes in fair value of investment in securities listed on the Shenzhen Stock Exchange ("**SZSE**"), the Shanghai Stock Exchange ("**SSE**") and the Australian Securities Exchange ("**ASX**") of the Group.

The Group regularly reviewed the investment strategies and monitored the investment portfolio. The financial assets measured at FVTPL of the Group included investments in securities listed on the Stock Exchange, SGX, ASX, SSE and SZSE as well as investments in unlisted projects, with costs of investment amounting to approximately RMB3,593.2 million

(31 December 2017: approximately RMB2,746.8 million). As at 30 June 2018, the fair value of such investments was approximately RMB3,278.6 million (31 December 2017: approximately RMB2,868.6 million), which was equivalent to approximately 32.3% of the total assets of the Group as at 30 June 2018 (31 December 2017: approximately 30.7%).

Selling and distribution expenses

For the six months ended 30 June 2018, the Group's selling and distribution expenses increased by approximately 19.7% to approximately RMB52.9 million from approximately RMB44.2 million in the corresponding period of 2017. Such increase was primarily due to the increase in sales of automotive parts business, which resulted in more transportation costs and more after-sale service expenses.

Research and development expenditure

For the six months ended 30 June 2018, the Group's research and development expenditure increased by approximately 3.7% to approximately RMB31.1 million from approximately RMB30.0 million in the corresponding period of 2017. 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 six months ended 30 June 2018, the Group's administrative expenses decreased by approximately 15.9% to approximately RMB164.5 million from approximately RMB195.7 million in the corresponding period of 2017. Such decrease was mainly due to enhancement in the management of administrative expenses by the Group, and optimizing office premises.

Finance costs

For the six months ended 30 June 2018, the Group's finance costs increased by approximately 141.3% to approximately RMB123.3 million from approximately RMB51.1 million in the corresponding period of 2017. Such increase was mainly caused by more interest expense attributable to the increase in working capital required for developing financial services business and education operation business.

Taxation

For the six months ended 30 June 2018, the Group's income tax changed from the income tax credit of approximately RMB1.1 million in the corresponding period of 2017 to income tax expense of approximately RMB33.8 million. Such change was mainly due increase in deferred income tax liabilities.

(Loss) profit for the period

For the six months ended 30 June 2018, the Group recorded a loss for the period of approximately RMB319.7 million as opposed to a profit of approximately RMB23.5 million in the corresponding period of 2017. Such change was mainly due to an unrealized (non-cash) loss arising from the unfavorable fair value changes of the Group's financial assets measured at FVTPL, and an exchange loss resulted from the depreciation of RMB in the current period.

Basic (loss) earnings per Share

For the six months ended 30 June 2018, the basic loss per Share amounted to approximately RMB0.071, as opposed to the basic earnings per Share of approximately RMB0.001 in the corresponding period of 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 30 June 2018, the Group's net current assets amounted to approximately RMB2,119.0 million, representing a decrease of approximately 8.7% compared with that of approximately RMB2,321.5 million as at 31 December 2017. Such decrease was mainly due to the increase in borrowings for developing financial services business and education operation business.

Financial position and bank borrowings

The Group's cash and bank balances are mostly denominated in RMB and HK$. As at 30 June 2018, the Group's cash and bank balances amounted to approximately RMB378.7 million, representing a decline of approximately 44.8% compared with that of approximately RMB686.5 million as at 31 December 2017. Such decrease was mainly due to the use of financing proceeds in December 2017 by the Group.

The management of the Group regularly reviews and monitors the borrowings level. As at 30 June 2018, the Group's total borrowings amounted to approximately RMB3,330.2 million, representing an increase of approximately 12.4% compared with that of approximately RMB2,961.5 million as at 31 December 2017. Such increase was mainly due to the fact that the Group raised fund for developing financial services business and education operation business.

As at 30 June 2018, out of the Group's total borrowings, (i) borrowings due within one year amounted to approximately RMB2,177.4 million, representing an increase of approximately 58.1% compared with that of approximately RMB1,377.1 million as at 31 December 2017; (ii) borrowings due over one year but within two years amounted to approximately RMB520.0 million, representing an increase of approximately 112.0% compared with that of approximately RMB245.3 million as at 31 December 2017; (iii) borrowings due over two years but within five years amounted to approximately RMB531.6 million, representing a decrease of approximately 57.8% compared with that of approximately RMB1,261.2 million as at 31 December 2017; and (iv) borrowings due over five years amounted to approximately RMB101.2 million, representing an increase of approximately 29.9% compared with that of approximately RMB77.9 million as at 31 December 2017.

As at 30 June 2018, approximately RMB3,080.0 million of the Group's total borrowings (31 December 2017: approximately RMB2,771.6 million) is calculated on fixed interest rates.

As at 30 June 2018, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 34.3% (31 December 2017: approximately 32.8%).

Working capital

The management of the Group regularly reviews and monitors the inventory level. As at 30 June 2018, the Group's inventories amounted to approximately RMB134.7 million, representing a decrease of approximately 40.9% compared with that of approximately RMB227.9 million as at 31 December 2017. Such decrease was mainly attributable to the improvement of control of production plan for automotive parts business. For the six months ended 30 June 2018, the average inventory turnover days were approximately 46.4 days (for the six months ended 30 June 2017: approximately 50.3 days). The average inventory turnover days were calculated as the average of opening and closing balances of inventory for the period divided by cost of sales/services for the period and multiplied by 180 days.

The management of the Group regularly reviews and monitors the level of trade receivables. As at 30 June 2018, the Group's trade receivables amounted to approximately RMB584.3 million, representing an increase of approximately 9.7% compared with that of approximately RMB532.7 million as at 31 December 2017. Such increase was mainly attributable to deferred repayment from the customers of automotive parts business. For the six months ended 30 June 2018, the average turnover days of trade receivables were approximately 98.9 days (for the six months ended 30 June 2017: approximately 98.8 days). The average turnover days of trade receivables were calculated as the average of opening and closing balances of trade receivables for the period divided by revenue for the period and multiplied by 180 days.

The management of the Group regularly reviews and monitors the level of trade payables. As at 30 June 2018, the Group's trade payables amounted to approximately RMB604.4 million, representing an increase of approximately 9.3% compared with that of approximately RMB552.8 million as at 31 December 2017. Such increase was mainly attributable to increase in purchase of raw materials of automotive parts business. For the six months ended 30 June 2018, the average turnover days of trade payables were approximately 148.0 days (for the six months ended 30 June 2017: approximately 115.2 days). The average turnover days of trade payables were calculated as the average of the opening and closing balances of trade payables for the period divided by cost of sales/services for the period and multiplied by 180 days.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the six months ended 30 June 2018, the Group's capital expenditures were approximately RMB75.8 million (for the six months ended 30 June 2017: approximately RMB51.0 million), which were primarily the expenses of automotive parts business and education operation business in respect of additions to properties, plants and equipment.

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

As at 30 June 2018, the Group's capital commitments to additional properties, plants and equipment amounted to approximately RMB26.6 million (31 December 2017: approximately RMB3.2 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB1,262.4 million (31 December 2017: approximately RMB1,404.0 million) have been pledged to acquire borrowings for the Group.

As at 30 June 2018, the Group's certain restricted bank balances with the carrying amount of approximately RMB862.5 million (31 December 2017: approximately RMB556.3 million) have been used for the customer deposits for trading securities and pledges for the bills payables with a maturity of six months issued to suppliers and so forth.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the restricted bank balances and bank balances, and variable rate of interest incurred on short term bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loan receivables, borrowings and convertible bonds.

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 risk exposures and will consider hedging significant interest rate risk should the need arises.

FOREIGN EXCHANGE RISK

The consolidated financial statements of the Group are presented in RMB. Certain assets and liabilities of the Group are denominated in currencies other than RMB, such as HK$ and US$. Any material volatility in the exchange rates of these currencies against RMB may affect the financial 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 risk exposures and will consider hedging significant foreign exchange risk should the need arises.

HUMAN RESOURCES

As at 30 June 2018, the Group had 4,050 employees (31 December 2017: 4,018 employees). For the six months ended 30 June 2018, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB187.6 million (for the six months ended 30 June 2017: approximately RMB164.7 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 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 six months ended 30 June 2018, no share options were granted under the Share Option Scheme by the Company. In addition, as at 30 June 2018, no share options under the Share Option Scheme were outstanding.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2018, 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

Acquisition of Shares in SJW International and Issue of Consideration Shares under General 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.

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) ("**FC International Business**") (an indirect wholly-owned subsidiary of the Company), 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 "**Tiantai Sale and Purchase Agreement**"), pursuant to which FC International Business 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 Tiantai Sale and Purchase Agreement. For further information, please refer to the Company's announcements dated 6 February 2018 and 26 February 2018, respectively.

Subscription of New Shares in KSI Education and Issue of Consideration Shares under General Mandate

As disclosed in the Company's announcement dated 15 June 2018, the Company, Bonus First Holdings Limited ("**Bonus First**"), Ms. Yao Zhen and KSI Education entered into the investment agreement (the "**Investment Agreement**"), pursuant to which KSI Education conditionally agreed to allot and issue, and (i) the Company conditionally agreed to subscribe for, 29,400,000 new shares of KSI Education at the consideration of £29,400,000, and (ii) Bonus First conditionally agreed to subscribe for, 30,600,000 new shares of KSI Education as the consideration of £30,600,000. The Company allotted and issued 74,500,000 new Shares to KSI Education on 6 July 2018 in accordance with the Investment Agreement. For further information, please refer to the Company's announcements dated 15 June 2018 and 6 July 2018, respectively.

SIGNIFICANT INVESTMENT HELD

Except for the interests in joint ventures and financial assets measured at FVTPL set out in this announcement, the Group did not hold any other significant investment as at 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2018, the Company had 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. During the reporting period, there are no material changes of the corporate governance practices as compared with the information disclosed in the 2017 annual report of the Company.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code for the six months ended 30 June 2018.

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 six months ended 30 June 2018.

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 six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the six months ended 30 June 2018, the Group did not involve 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 interim dividend for the six months ended 30 June 2018.

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 had reviewed the unaudited condensed consolidated financial statements and the interim results announcement for the six months ended 30 June 2018 of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 June 2018 of the Company 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.

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

This interim 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 interim report for the six months ended 30 June 2018 of the Company, in both English and Chinese versions, will be dispatched to the shareholders of the Company in accordance to their choice of means of receipt and language of corporate communication of the Company, and will also be available on the same websites as mentioned above.

SUBSEQUENT EVENTS

Acquisition of 100% Equity Interest in Xinjiang Edukeys and Issue of Consideration Shares Under General Mandate

As disclosed in the Company's announcement dated 3 August 2018, the Company, FC Fund and the Edukeys Vendors, among others, entered into the sale and purchase agreement, pursuant to which FC Fund conditionally agreed to purchase and the Edukeys Vendors conditionally agreed to sell in aggregate 100% of the equity interest of Xinjiang Edukeys at the total consideration of RMB351.531 million (equivalent to approximately HK$403.864 million). For further information, please refer to the Company's announcement dated 3 August 2018.

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, 29 August 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. Wang Song.

* *For identification purpose only*