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)

PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

RMB' million	**2019** (unaudited)	**2018** (audited)	**Increase/ (Decrease)**
Revenue	**1,428.4**	1,810.8	(21.1%)
Loss for the year attributable to owners of the Company	**(1,876.0)**	(1,386.8)	35.3%
Basic loss per Share	**RMB(0.37)**	RMB(0.28)	32.1%

RMB' million	**As at 31 December 2019** (unaudited)	**As at 31 December 2018** (audited)	**Decrease**
Total assets	**6,065.5**	9,799.8	(38.1%)
Equity attributable to owners of the Company	**974.5**	2,763.0	(64.7%)
Net asset value per Share *(Note)*	**RMB0.19**	RMB0.55	(65.5%)

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.

ANNUAL RESULTS

As affected by the COVID-19 outbreak, the auditor (the "**Auditor**") of China First Capital Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") has not completed the audit process on the Group's consolidated financial statements for the year ended 31 December 2019 as at the date of this announcement. The board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (EXPENSES) INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited and restated)
Continuing operations			
Revenue, comprising	*3*	**1,428,417**	1,810,797
– Sales of goods		**933,763**	1,353,866
– Provision of services		**460,417**	375,847
– Interest income		**34,237**	81,084
Cost of sales/services		**(1,080,247)**	(1,305,351)
Gross profit		**348,170**	505,446
Other income and expenses		**113,650**	93,718
Other gains and losses		**(161,308)**	(92,962)
Impairment losses, net of reversal		**(30,382)**	(61,303)
Fair value changes of financial assets measured at fair value through profit or loss ("**FVTPL**")	*4*	**(992,292)**	(906,072)
Fair value changes of contingent consideration payables		**(65,589)**	(251)
Fair value changes of embedded derivative components of convertible bonds		**13,686**	(5,865)
Selling and distribution expenses		**(128,279)**	(108,856)
Research and development ("**R&D**") expenditure		**(50,455)**	(48,935)
Administrative expenses		**(322,620)**	(383,004)
Finance costs		**(279,989)**	(244,416)
Share of results of associates		**(8,674)**	222
Share of results of joint ventures		**(388,075)**	(92,405)
Loss before tax		**(1,952,157)**	(1,344,683)
Taxation	*5*	**4,544**	(6,890)
Loss for the year from continuing operations		**(1,947,613)**	(1,351,573)

	NOTES	2019 RMB'000 (unaudited)	2018 RMB'000 (audited and restated)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(4,798)
Loss for the year		**(1,947,613)**	(1,356,371)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**3,904**	66,871
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**52,443**	81,205
Other comprehensive income for the year, net of income tax		**56,347**	148,076
Total comprehensive expense for the year		**(1,891,266)**	(1,208,295)
(Loss) profit for the year attributable to:			
Owners of the Company		**(1,876,011)**	(1,386,813)
– from continuing operations		**(1,876,011)**	(1,382,015)
– from discontinued operation		**–**	(4,798)
Non-controlling interests		**(71,602)**	30,442
		(1,947,613)	(1,356,371)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,820,913)**	(1,230,657)
Non-controlling interests		**(70,353)**	22,362
		(1,891,266)	(1,208,295)
From continuing and discontinued operations			
Loss per Share – Basic and Diluted (RMB)	*7*	**(0.37)**	(0.28)
From continuing operations			
Loss per Share – Basic and Diluted (RMB)	*7*	**(0.37)**	(0.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**957,846**	925,880
Right-of-use assets		**293,949**	–
Prepaid lease payments		**–**	265,188
Interests in associates		**7,134**	4,658
Interests in joint ventures		**588,224**	1,017,421
Intangible assets		**349,383**	389,004
Deposits for investments		**–**	380,000
Goodwill		**467,328**	568,620
Deferred tax assets		**6,414**	11,924
Financial assets measured at FVTPL	*8*	**337,360**	386,413
Other receivables		**114,666**	76,032
		3,122,304	4,025,140
CURRENT ASSETS			
Prepaid lease payments		**–**	7,092
Inventories		**159,243**	137,638
Property under development for sale		**–**	276,903
Amounts due from joint ventures		**269,469**	40,259
Trade and other receivables		**1,068,461**	977,422
Loan and interest receivables		**105,928**	1,144,886
Financial assets measured at FVTPL	*8*	**577,862**	2,244,917
Security account balances		**19,557**	17,326
Restricted bank balances		**481,029**	625,263
Bank balances and cash		**261,606**	302,966
		2,943,155	5,774,672
TOTAL ASSETS		**6,065,459**	9,799,812
CURRENT LIABILITIES			
Trade and other payables		**2,139,674**	1,806,309
Amounts due to joint ventures		**63,317**	77,049
Amount due to an associate		**–**	2,499
Borrowings – due within one year		**953,528**	1,984,965
Convertible bonds		**–**	687,418
Lease liabilities		**14,755**	–
Embedded derivative components of convertible bonds		**–**	13,373
Income tax payable		**90,356**	97,867
Deferred income		**2,753**	2,673
Contract liabilities		**218,716**	215,816
Provisions		**23,928**	4,014
Contingent consideration payables		**29,049**	66,261
		3,536,076	4,958,244
NET CURRENT (LIABILITIES) ASSETS		**(592,921)**	816,428
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,529,383**	4,841,568

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Other payables		**143**	213
Borrowings – due after one year		**792,256**	1,066,423
Lease liabilities		**25,921**	–
Deferred income		**42,631**	42,706
Contract liabilities		**163,016**	177,866
Long term payables		**31,728**	23,086
Contingent consideration payables		**–**	50,627
Deferred tax liabilities		**104,027**	140,475
		1,159,722	1,501,396
NET ASSETS		**1,369,661**	3,340,172
OWNERS' EQUITY			
Share capital	*9*	**84,283**	84,283
Reserves		**890,251**	2,678,766
Equity attributable to:			
Owners of the Company		**974,534**	2,763,049
Non-controlling interests		**395,127**	577,123
		1,369,661	3,340,172

1. GENERAL

The consolidated financial statements have been prepared in accordance with the applicable accounting policies issued by Hong Kong Institute of Certified Public Accountants ("**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**").

The consolidated financial statements are presented in Renminbi ("**RMB**").Certain assets and liabilities of the Group are denominated in currencies other than RMB, such as Hong Kong dollars ("**HK$**") and United States dollars ("**US$**").

2. COMPARATIVE FIGURES

The comparative figures in the consolidated statement of profit or loss and other comprehensive (expenses) income for the year ended 31 December 2018 have been restated to re-present the discontinued operation, including other gains and losses, selling and distribution expenses, administrative expenses and finance costs amounting to RMB21,000, RMB6,000, RMB3,372,000 and RMB1,399,000, respectively, have been reclassified to "loss for the year from discontinued operation".

3. REVENUE AND SEGMENT INFORMATION

(a) Products and services within each operating segment

The segment information reported was determined by the types of products and services and the types of customers to which products are sold and services are provided, which is consistent with the internal information that are regularly reviewed by the executive Directors, who are the chief operating decision 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.

- 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.

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

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

	Segment revenue		Segment results	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited and restated)
Automotive parts business	**933,763**	1,353,866	**150,876**	254,553
Education operation business	**399,153**	306,636	**126,234**	153,060
Financial services business	**95,501**	150,295	**71,060**	97,833
Total segment	**1,428,417**	1,810,797	**348,170**	505,446
Other income and expenses			**113,650**	93,718
Other gains and losses			**(161,308)**	(92,962)#
Impairment losses, net of reversal			**(30,382)**	(61,303)
Fair value changes of financial assets measured at FVTPL			**(992,292)**	(906,072)
Fair value changes of contingent consideration payables			**(65,589)**	(251)
Fair value change of embedded derivative components of convertible bonds			**13,686**	(5,865)
Selling and distribution expenses			**(128,279)**	(108,856)#
R&D expenditure			**(50,455)**	(48,935)
Administrative expenses			**(322,620)**	(383,004)#
Finance costs			**(279,989)**	(244,416)#
Share of results of associates			**(8,674)**	222
Share of results of joint ventures			**(388,075)**	(92,405)
Loss before tax			**(1,952,157)**	(1,344,683)

\# To conform with the presentation of current year's consolidated financial statements, some reclassifications were made.

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

	For the year ended 31 December 2019			
Segments	**Automotive parts business**	**Education operation business**	**Financial services business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from contracts with customers				
External customers	933,763	399,153	95,501	1,428,417
Inter-segment sales/services	1,575	–	20,098	21,673
Revenue	**935,338**	**399,153**	**115,599**	**1,450,090**
Elimination	(1,575)	–	(20,098)	(21,673)
Total revenue from contracts with customers	**933,763**	**399,153**	**95,501**	**1,428,417**

There was no inter-segment sales/services for the year ended 31 December 2018.

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

Other than the segment revenue and segment results analysis presented above, information about assets and liabilities was not regularly provided to the CODM. Hence, no segment asset or segment liability information is presented.

(c) Geographical information

The Group principally operates in the People's Republic of China ("**China**" or the "**PRC**", for the purpose of this announcement, shall exclude the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), the Macau Special Administrative Region of the PRC and Taiwan).

For the year ended 31 December 2019, 89% (2018: 93%) of the Group's revenue from external customers is derived from the PRC.

4. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FVTPL

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Equity securities:		
– Listed in Hong Kong	**(939,522)**	(407,396)
– Listed in the PRC	**94,759**	(367,578)
– Listed in overseas	**(14,320)**	(76,547)
Unlisted investments:		
– Hong Kong	**(62,017)**	(46,401)
– The PRC	**366**	35
– Overseas	**(71,558)**	(8,185)
	(992,292)	(906,072)

5. TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current tax:		
– Hong Kong	**1,946**	340
– The PRC	**9,905**	34,758
– Overseas	**(49)**	867
	11,802	35,965
Deferred tax credit	**(16,346)**	(29,075)
	(4,544)	6,890

6. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2019 and 2018. The Board does not recommend the payment of dividend for the year ended 31 December 2019 (2018: Nil).

7. LOSS PER SHARE

For continuing operations

The calculation of basic and diluted loss per Share from continuing operations attributable to owners of the Company is based on the following data:

	2019 (unaudited)	2018 (audited)
Loss (RMB'000)		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per Share	**(1,876,011)**	(1,386,813)
Adjust for:		
Loss for the year from discontinued operation	**–**	4,798
Loss for the purpose of basic and diluted loss per Share from continuing operations	**(1,876,011)**	(1,382,015)
Number of shares		
Weighted average number of ordinary Shares for the purpose of basic and diluted loss per Share	**5,026,892,000**	4,919,774,915

From continuing and discontinued operations

The calculation of the basic and diluted loss per Share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2019 (unaudited)	2018 (audited)
Loss (RMB'000)		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per Share	**(1,876,011)**	(1,386,813)

The denominators used are the same as those detailed above for both basic and diluted loss per Share.

For the years ended 31 December 2019 and 2018, the calculation of diluted loss per Share did not assume the conversion of the Company's outstanding convertible bonds as it would result in a decrease in loss per Share.

8. FINANCIAL ASSETS MEASURED AT FVTPL

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Analysed for reporting purposes as:		
– Current assets *(Note)*	**577,862**	2,244,917
– Non-current assets	**337,360**	386,413
	915,222	2,631,330

Note:

Details of the financial assets measured at FVTPL classified under current assets at the end of each reporting period are as follows:

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Equity securities:		
– Listed in Hong Kong	**199,896**	1,481,918
– Listed in the PRC	**293,303**	504,160
– Listed in overseas	**69,063**	177,810
Unlisted investments:		
– Overseas	**–**	74,494
– The PRC	**15,600**	6,535
	577,862	2,244,917

9. SHARE CAPITAL

	Number of Shares	Share capital *HK$*
Ordinary Shares of HK$0.02 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	50,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2018	4,777,500,000	95,550,000
Issue of Shares *(Note a)*	76,300,000	1,526,000
Issue of Shares *(Note b)*	18,140,000	362,800
Issue of Shares *(Note c)*	74,500,000	1,490,000
Issue of Shares *(Note d)*	80,452,000	1,609,040
At 31 December 2018 and 2019	5,026,892,000	100,537,840

Notes:

a. On 26 February 2018, 76,300,000 Shares were allotted and issued by way of consideration issue for the purpose of acquiring 100% of shares of Kaifeng Tiantai Culture Media Limited* (開封天泰文化傳媒有限公司).

b. On 26 February 2018, 18,140,000 Shares were allotted and issued by way of consideration issue for the purpose of acquiring 10% of the total issued shares of SJW International Co., Ltd.

c. On 6 July 2018, 74,500,000 Shares were allotted and issued by way of consideration issue for the purpose of subscribing 29,400,000 shares of KSI Education Ltd ("**KSI Education**").

d. On 6 September 2018, 80,452,000 Shares were allotted and issued by way of consideration issue for the purpose of acquiring 100% of shares of Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司) (together with its subsidiaries, "**Edukeys Group**").

	31.12.2019 ***RMB'000*** **(unaudited)**	31.12.2018 *RMB'000* (audited)
Share capital presented in the consolidated statement of financial position	**84,283**	84,283

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in the financial services business, which provides services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing, and migration finance. Since 2016, the Group has continued to diversify its business, with the mission of "Finance Empowers Education, Education Lights Up Future" and to establish a trinitarians interactive business mode, which capitalises on educational investment and operations as bases and educational management service and educational financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education".

The Company is now a constituent of various indices, including MSCI Global Small Cap Indexes and MSCI China All Shares Small Cap Index, FTSE Global Equity Index Series China Micro Cap Index, and Hang Seng Composite Index Series. It was also advanced into the list of eligible securities for "Southbound Trading" under "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect".

The business development strategy of the Group was also recognised by various parties. In June 2019, the Company was awarded the "Best Brand Value Award" and the "Best Sustainable Development Report" in the "2019 China Financial Market Awards" organised by China Financial Market. In August 2019, the kindergarten of Fuqing Xishan School* (福清西山學校) ("**Fuqing Xishan**") was certified and named as "2019 Featured National Football Kindergarten" by the Ministry of Education. In October 2019, Edukeys Group was conferred the "2019 ACT GAC Outstanding Partner" award in the 2019 ACT GAC Summit & PD Conference for the PGA (Project of Global Access) high school international programme under its operation.

BUSINESS REVIEW

Education Operation Business

Education serves as the foundation of national development in long run. Education is the fundamental means for mankind to inherit their cultural heritage and knowledge, cultivate the younger generation and work for a better living. Upon the march of time, the importance of knowledge and talents are increasing, whereas the role and function of education are protruding. With the increasing disposable income of citizens in China, the growing population of middle class and the implementation of the "Universal Two-child Policy" across the country, the huge population base and increasing competition among talents and employment have resulted in continuous rigid demand for quality education. As one of the largest education markets in the world, China has always emphasised on education development with the state-financial spending on education consecutively accounted for more than 4% of the GDP in recent years. In order to develop fairer and higher quality education, the government has introduced multiple policies, accelerating the education modernisation, strengthening the education reform, improving education quality vigorously, encouraging social forces to invest in education and promoting the development of the private education sector steady and healthy, which bring long-term development opportunities to enterprises truly committed to education.

In view of this, during the year under review, the Group actively seized development opportunities in the education industry. In line with the trend of regulating development of the industry, the Group has adopted a model of endogenous growth which mainly focused on management improvement. The Group emphasised on quality literacy education, featured education from kindergarten through twelfth grade ("**K-12**"), international education as well as media arts education for the purpose of establishing its core business model. The Group also optimised its allocation of educational resources, promoted project synergy and integration in respect of curriculums, teachers, brands and operation, and explored the potentiality of education assets and enhanced their intrinsic value to establish the Group's core competitiveness.

During the year under review, the Group actively integrated high-quality educational resources in domestic and overseas, adapted to educational market demands and promoted cooperation and resources sharing among educational projects in order to achieve industry empowerment. In March 2019, the Company entered into a strategic cooperation framework agreement with Beifang International Education Group (北方國際大學聯盟), the largest private higher education alliance in China currently, to cooperate in areas such as investment, mergers and acquisitions, operations and management in respect of higher education; cultivation of K-12 education management service platforms; introduction, adaptation and integration of domestic and overseas quality educational resources; and establishment of listing platforms for arts and media sectors. In April 2019, Xishan Schools (collectively, Fuqing Xishan, Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan School* (江西省西山學校) (**Jiangxi Xishan**") and Xishan Education Group* (西山教育集團)) and Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校) ("**Yinghua School**") respectively became sister schools with Kingsley School from the United Kingdom invested by KSI Education, in order to fully play to their respective strengths through exchanges and collaborations in areas such as education philosophy, education and teaching, development of featured programmes, teacher and student exchanges and resource sharing. During the summer holiday of 2019, the Group organised a variety of international exchange activities. Some Chinese students went on study tours to the United Kingdom, the United States, Canada and Singapore to experience pure English learning environment and native education, while some British and Singaporean students came to China and partnered with their Chinese counterparts to experience Chinese culture both in class and off the campus.

Staying gold to its education aspiration, the Group organised different kinds of education charity activities during the year under review, for example Fuqing Xishan TEDx Conference (a charitable speech with the theme of "Stay Hungry"), a charitable talk co-organised with Tencent "Youth Travel (青年行)" for secondary students in the Guangdong-Hong Kong-Macao Greater Bay Area, book donation and sharing activity, so as to nurture the healthy growth of students with love. The Group also offered a series of lectures, the "CFCG Lectures", where students from PBC School of Finance of Tsinghua University, Henan University of Economics and Law, Jiangxi University of Finance and Economics and Jiangxi University of Science and Technology were coached on the understanding and application of professional knowledge in the perspective of enterprise practice. During the year under review, the Wellbeing Research Centre of the University of Oxford was established which KSI Education served as the founding partner. The centre is designed to bring together scholars from Oxford and beyond to advance the understanding of human wellbeing and become a major platform for helping communities around the world put wellbeing at the heart of their decision-making.

The Group put forth effort to strengthen the operations and management of its invested educational projects and vigorously developed its featured education such as football, martial arts, physical education and fine arts. The scale and quality of the Group's educational projects have improved steadily, with impressive results gained from various competitions. For instance, the women's football team of the primary school of Fuqing Xishan won the first prize of 2019 National Youth Football Championship League (Fuzhou Division) for the third consecutive year; the men's football team of the primary school of Fuqing Xishan won the championship of 2019 "JINGYINGBEI" Fujian-Guangdong-Jiangxi Youth Football Invitational Tournament; the women's football team of Jiangxi Xishan won the first prize of 2019 Jiangxi Youth Football Championships (Women); students from Jiangxi Xishan won two gold, three silver and one bronze medals in 2019 Jiangxi Youth Martial Arts Championships, and won the first prize of dragon dance optional exercise (high school male) and the second prize of dragon dance specified exercise (high school male) in the 7th Chinese Secondary Students Dragon Dance and Lion Dance Championships; and students from Yinghua School won the second prize at the Arts Exhibition of the Education Department of Shandong Province. Singapore Raffles Music College was awarded the 4-year EduTrust Certification by the Committee for Private Education in Singapore, it cooperated with the University of West London to offer courses, and the diplomas issued by the University of West London were included in the range of foreign academic degree verification by Chinese Service Center for Scholarly Exchange of the Ministry of Education in January 2019. In December 2019, Kingsley School obtained the Tier 4 Sponsor Licence, which allows it to provide visa application and eligible enrolment for non-British students.

The Group vigorously collaborated quality educational resources, introduced innovative teaching philosophy, worked with well-known teachers and education experts, and promoted teaching and classroom reform. Yinghua School actively explored "student-oriented classroom" and basically shaped a student-oriented classroom teaching model having characteristic of respective subject. Under the reform concept of "Building a Happy Classroom, Shaping a Beautiful Mind", Fuqing Xishan started to change the learning method of its students and worked to develop an efficient classroom featuring "autonomy, cooperation, exploration and happiness". Jiangxi Xishan has been conferred with the honourable title of "National Advanced Unit for Elementary Education Schoolwork Reform under the 13th Five-Year Plan" (十三五全國基礎教育課業改革先進單位). Being as the first batch of schools that launched the "Science, Technology, Engineering, Arts and Mathematics (STEAM) Teaching Method" in Jiangxi Province, Jiangxi Xishan conducted rigorous R&D on the school-based STEAM curriculum system with the efforts of respective subject teachers.

Financial Services Business

The Group has obtained diversified financial service licences and has established a consummate financial services system by leveraging on First Capital Financial Group Limited (“**FC Financial Group**”) as the base. Relying on its strategic composition of the education industry, the Group empowered education through financial services business and used multiple financial instruments and strategies to provide various educational entities with featured, differentiated and professional financial services integratively. In the meantime, the Group proactively expanded its business in other areas; thus its financial services business developed rapidly.

First Capital Securities Limited (“**FC Securities**”) was licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (“**SFO**”) (Chapter 571 of the Laws of Hong Kong). In addition to dealing in securities and providing margin financing business to customers, it is also engaged in underwriting and placing of shares for listing applicants and listed companies. First Capital Asset Management Limited (“**FC Asset Management**”) was licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. It can provide portfolio management services (such as stocks, bonds, discretionary managed accounts, and funds) and investment advisory services to its clients. First Capital International Finance Limited (“**FC International Finance**”) was licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and was admitted by the Securities and Futures Commission (“**SFC**”) to be a sponsor under the SFO in April 2019. As such, FC International Finance can act as a sponsor for listing applicants in initial public offering (“**IPO**”), advise on matters in relation to the “Codes on Takeovers and Mergers and Share Buy-backs” issued by the SFC, and advise listed companies in relation to the Listing Rules. Stirling Coleman Capital Limited (“**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, as such it can provide diversified corporate financing services. First Capital Finance Limited holds a money lender’s license. It can carry out the business of money lenders under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). First Capital Fund Management Company Limited* (首控基金管理有限公司) and 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) have both been registered as private equity fund managers with the Asset Management Association of China, which permit them to initiate establishment of or be entrusted for the management of private equity investment funds and venture capital funds.

During the year under review, FC Securities acted as (i) the joint lead manager for the listing of Scholar Education Group (a company listed on the Main Board of the Stock Exchange, stock code: 1769), a K-12 after-school education service provider; (ii) the joint lead manager for the listing of Huali University Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1756), a leading private higher education and vocational education group in South China; (iii) the joint lead manager for the listing of Chen Lin Education Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1593), a leading provider of private higher education in Jiangxi Province; (iv) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Rizhao Port Jurong Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 6117), the largest port for grain and woodchip imports in China in terms of the throughput of 2018; (v) the joint bookrunner and the joint lead manager for the listing of Zhejiang Cangnan Instrument Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1743), a gas flowmeter manufacturer; and (vi) the joint bookrunner and the joint lead manager for the listing of CR Construction Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1582), a leading building contractor in Hong Kong. FC Securities also acted as (i) the offer agent to the offeror for Zenith Hope Limited to acquire China Kangda Food Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 834, and the Mainboard of Singapore Exchange Limited ("**SGX**"), stock code: P74); and (ii) the sole placing agent for the share placing of the substantial shareholder of Ernest Borel Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1856).

Under the management of FC Asset Management, First Capital Education Selected Fund targeted to invest in stocks and bonds in the education industry, and First Capital Global Education Investments SP adopted diverse and flexible investment strategies to invest in secondary-market stocks and explore opportunities for IPO investment. Both funds operated well during the year under review.

During the year under review, FC International Finance acted as the joint sponsor to United Strength Power Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2337) for its deemed new listing application, the financial advisor to Numans Health Food Holdings Company Limited for its listing application on the Main Board of the Stock Exchange, as well as the independent financial advisor, financial advisor and compliance advisor to a number of companies and transactions. Stirling Coleman acted as (i) the independent financial advisor to Hyflux Ltd (a company listed on the Mainboard of SGX, stock code: 600) for a project of debt restructuring and introduction of new strategic investors; (ii) the independent financial advisor to First Ship Lease Trust (a business trust listed on the Mainboard of SGX, stock code: D8DU) for a project of non-renounceable non-underwritten preferential offering; (iii) the independent financial advisor to First Ship Lease Trust for a project of mandatory conditional cash offer; (iv) the independent financial advisor to Datapulse Technology Limited (a company listed on the Mainboard of SGX, stock code: BKW) in two connected transactions; (v) the independent financial advisor to Star Pharmaceutical Limited (a company listed on the Mainboard of SGX, stock code: AYL) for a project of mandatory unconditional cash offer; (vi) the financial advisor to Delong Holdings Limited (a company listed on the Mainboard of SGX, stock code: BQO) for a project of voluntary conditional offer; and (vii) the vendor coordinator for the project which Japan's Tanaka Optical Holding Company acquired 80% equity interest in Singapore's FLO Optics Pte Ltd.

Automotive Parts Business

During the year under review, the Chinese automobile industry was affected by certain factors, such as China-US economic and trade friction, replacement of environmental protection standards and reduction of new energy subsidies, therefore, the pressure faced by it was further increased during the process of transformation and upgrade. There was negative growth in both production and sales and the main industry economic benefit indicators. According to the statistics of the China Association of Automobile Manufacturers, the production of automobiles amounted to approximately 25,721,000 in 2019, representing a year-on-year decline of approximately 7.5% from approximately 27,809,000 in 2018; and the sales of automobiles amounted to approximately 25,769,000 in 2019, representing a year-on-year decline of approximately 8.2% from approximately 28,081,000 in 2018. The decline in the production and sales of automobiles in 2019 were increased by approximately 3.3 and approximately 5.4 percentage points as compared to 2018, respectively.

To confront the recession of the automobile industry and increasingly fierce market competitions, the Group operated its automotive parts business by adhering to the principal thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", exerted its existing advantages on brands and technologies to ramp up the level of product R&D and quality control and establish efficient and productive factories. While strengthening its existing markets, the Group also set up its after-sales market business department and international business department, deeply explored the potentiality of the market in order to develop new markets, and reduced the operating costs effectively through measures such as reducing procurement prices and expense control.

During the year under review, the Group's automotive parts business manufactured approximately 7.1 million shock absorbers of various types, successfully developed new vehicle manufacturer markets such as Dongfeng Passenger Vehicle, BYD, Great Wall Motors and JMC, and completed the R&D of new shock absorber products for vehicle models such as Geely Jiaji and Baojun CN202M. The technology center of the Group has been certified as the "National Enterprise Technology Center" by five ministries including the National Development and Reform Commission, the Ministry of Science and Technology and the Ministry of Finance. The Group's materials laboratory has been successfully recognised by SAIC Volkswagen Automotive Co., Ltd., and the technique of "automatically tightening the riveting device for the automobile shock absorber compression valve and its control method" (汽車減振器壓縮閥自動擰緊旋鉚裝置及其控制方法) has been recognised as a scientific and technological achievement by the Science and Technology Department of Henan Province.

OUTLOOK

Education Operation Business

Knowledge changes fate, and education shapes the future. Education itself is a type of potential productivity that can improve workforce quality and turn potential productivity into actuality. Education is the driving force for social development. The key of competition of economy is the competition of science and technology, which ultimately attribute to the competition of talents, whereas the foundation is on education. Today's scientific and technological achievements determine tomorrow's productivity, whereas today's education determines tomorrow's scientific and technological achievements and future productivity.

The "Book of Rites", said that "teachers impart knowledge in order to cultivate good morality of students (師也者，教之以事而喻諸德者也)". With the development of society, education needs and scenes are constantly evolving. No matter how times change, the essence of education remains "To develop morality and shape character (立德樹人)". The demand for better, fairer and more personalised education has shifted the orientation of education from knowledge to literacy and ability, with specific attention on holistic education, skills education and lifelong education, emphasising more on the holistic development of educatees.

In 2019, authorities such as the Central Committee of the Communist Party of China, the State Council, and the Ministry of Education consecutively issued a number of policies covering compulsory education, higher education, vocational education, online education and industry-education integration, including China's Education Modernisation 2035, the National Plan for Vocational Education Reform, the National Pilot Programme for Industry-Education Integration, the Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education, the Opinions on Deepening the Reform of Undergraduate Education and Teaching and Comprehensively Improving the Quality of Talent Training and the Guiding Opinions on Promoting the Sound Development of Online Education. These series of measures will accelerate the education modernisation in China, deepen education and classroom reform, improve education quality, and promote the development of the education industry regularly and orderly in a healthy way. They will also stimulate more social resources to tilt in favour of education, and to encourage various circles of the society, especially private capital, to invest in education and build a better future for education in China together.

The Group commits to its original thoughts of "Whoever you are, you have a right to learn (有教無類)" and "Everyone can become a successful man". With the mission of "Finance Empowers Education, Education Lights Up Future", the Group attaches importance to quality education and incorporates advanced educational concepts and methods through its international insight, allocates quality eastern and western educational resources, achieves capital empowerment and value creation of industries, and supports holistic education and quality education for the general public in order to offer quality education to every family and child and light up the journey of success for every child.

Looking ahead into 2020, the Group will be in line with the trend and leverage on its accumulation in educational talents reserve, project investment experience, physical schools management and innovation of business model to actively seize market opportunities, especially the new business development opportunities brought by diversified management, regulating development, and industry diversification and integration of the private education industry. By so doing, the Group will further expand its presence across the global education market and develop new business types by creatively adapting and integrating different forms of educational resources. The Group will also be engaged in scientific and efficient operations management to achieve business restructuring, endogenous growth and value appreciation, and it is committed to becoming an operation service professional in the education industry with the best knowledge in finance.

The Group will start with the promotion of teaching and classroom reform, engage in quality literacy education focusing on STEAM education, and adhere to featured education such as football and martial arts, integrate quality educational resources in domestic and overseas to establish featured and reputable schools. Relying on the brand and market influence in the PGA international programme system, the Group will introduce quality resources in the field of international education as supplement to establish an international education service platform. In the meantime, the Group will also push forward the exploration and implementation in media arts education, early childhood education, preschool education, vocational education, and industry-education integration.

Financial Services Business

Hong Kong once again became one of the world's most active IPO markets in 2019. There were a total of 183 companies, including 20 companies that were transferred from GEM to the Main Board, newly listed on the Stock Exchange, which have raised a total amount of approximately HK$312.9 billion. Hong Kong also topped the amount of IPO proceeds worldwide for the sixth time over decade, reflecting its solid position as an international financial centre. The Stock Exchange implemented a reform of its listing system, which opened up a special way for biotechnology companies that could not pass the Main Board financial qualification test, allowed companies to be listed on the Stock Exchange in the structure of "Weighted Voting Rights" (WVR), established newly convenient channel for secondary listing which allows companies from Greater China and overseas to come to Hong Kong for secondary listing. This enables Hong Kong market to attract more new-economy and innovative-concept enterprises of various types. There were a total of 11 companies newly listed on the Stock Exchange through the new listing mechanisms in 2019.

The Chinese government is committed to building a comprehensive platform to connect markets across the border. The "Shanghai-Hong Kong Stock Connect", the "Shenzhen-Hong Kong Stock Connect", the "Bond Connect" and the "Shanghai-London Stock Connect" have been launched consecutively in recent years. China A-shares have been included into the MSCI indexes and the FTSE Russell indexes, and the inclusion factors have gradually increased, which have played a prominent role in attracting international investors to invest in China's securities market. Shanghai Stock Exchange ("**SSE**") officially established the Science and Technology Innovation Board and trialed the registration-based system, the Phase One China-US Economic and Trade Agreement expanded the opening-up of financial services, both of which will drive further internationalisation of China's capital market.

Looking ahead into 2020, under the situation of global economy slowing down, several uncertainties including the subsequent progress of the China-US trade negotiation, post-Brexit issues, the development of the Middle East situation and the COVID-19 epidemic will cause continuous fluctuation in both global and Hong Kong financial markets.

The Group has obtained diversified financial services licences and established a consummate financial services system with businesses covering China, Hong Kong and Southeast Asia. With its outstanding performance in the educational finance sector in the past, the Group's financial service business has framed a highly recognized brand and considerable market influence. The Group will leverage on its strategic composition of the education industry, adhere to the operational philosophy and thought of education investment bank, and take advantage of FC Financial Group as the base. Business units including investment banking, securities, asset management and research shall work closely together, while adhering to the strategies of differentiation and characteristic development. The Group will seek to unleash the synergy between its financial services business and education operation business and will feature on educational financial services with other fields as complement. The Group is committed to becoming an investment banking professional who knows education the best.

Automotive Parts Business

According to the statistics of the China Association of Automobile Manufacturers, as affected by the COVID-19 epidemic, both production and sales of automobiles declined sharply in January and February 2020, representing a year-on-year decrease of approximately 45.8% and approximately 42.0%, respectively. The automobile and automotive parts industries will face greater challenges. The Group will implement effective development strategies to promote the development of its automotive parts business.

The Group's automotive parts business will continue to target for "Top Quality and Customer Satisfaction" and deepen the promotion of Amoeba management model. The Group will establish an appraisal system of "Focuses on Process and Results", keep on strengthening the implementation of its quality system and improve the product quality and customer satisfaction. The Group will continue to exert its existing advantages on brands and technologies. While strengthening the existing markets, the Group will deeply explore the potentiality of the market, further develop the after-sales market and the international market, and march the rail transit market.

The Group regards the development of R&D capability as its core work. It strives to build first-class R&D centres by equipping them with advanced experimental and testing equipment and excellent design technologists. The Group implements the technical management concept of "Utilisation, R&D and Reserve" in order to boost its reserve, market promotion, and application of new technologies. By setting up a digitised workshop for smart manufacturing of shock absorbers and a production line for solenoid valve shock absorbers, the Group aims to achieve the industrialised conversion of new technologies of shock absorbers.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's overall revenue decreased by approximately 21.1% to approximately RMB1,428.4 million from approximately RMB1,810.8 million in 2018, of which revenue from automotive parts business decreased by approximately 31.0% to approximately RMB933.8 million from approximately RMB1,353.9 million in 2018, revenue from financial services business decreased by approximately 36.5% to approximately RMB95.5 million from approximately RMB150.3 million in 2018, and revenue from education operation business increased by approximately 30.2% to approximately RMB399.1 million from approximately RMB306.6 million in 2018. The decrease in revenue was mainly due to the decline in sales of automotive parts business.

Cost of sales/services

For the year ended 31 December 2019, the Group's overall cost of sales/services decreased by approximately 17.3% to approximately RMB1,080.2 million from approximately RMB1,305.4 million in 2018, of which cost of sales from automotive parts business decreased by approximately 28.8% to approximately RMB782.9 million from approximately RMB1,099.3 million in 2018, cost of services from financial services business decreased by approximately 53.5% to approximately RMB24.4 million from approximately RMB52.5 million in 2018, and cost of services from education operation business increased by approximately 77.7% to approximately RMB272.9 million from approximately RMB153.6 million in 2018. The decrease in cost of sales/services was mainly due to the decrease in sales of automotive parts business.

Gross profit

For the year ended 31 December 2019, the Group's overall gross profit decreased by approximately 31.1% to approximately RMB348.2 million from approximately RMB505.4 million in 2018, of which gross profit from automotive parts business decreased by approximately 40.7% to approximately RMB150.9 million from approximately RMB254.6 million in 2018, gross profit from financial services business decreased by approximately 27.3% to approximately RMB71.1 million from approximately RMB97.8 million in 2018, and gross profit from education operation business decreased by approximately 17.5% to approximately RMB126.2 million from approximately RMB153.0 million in 2018. The decrease in gross profit was mainly due to the decrease in sales of automotive parts business.

Gross profit margin

For the year ended 31 December 2019, the Group's overall gross profit margin decreased by approximately 3.5 percentage points to approximately 24.4% from approximately 27.9% in 2018, of which gross profit margin of automotive parts business decreased by approximately 2.6 percentage points to approximately 16.2% from approximately 18.8% in 2018, gross profit margin of financial services business increased by approximately 9.4 percentage points to approximately 74.5% from approximately 65.1% in 2018, and gross profit margin of education operation business decreased by approximately 18.3 percentage points to approximately 31.6% from approximately 49.9% in 2018. The decrease in gross profit margin was mainly due to the decrease in gross profit of automotive parts business.

Other income and expenses

For the year ended 31 December 2019, the Group recorded other income of approximately RMB113.7 million, representing an increase of approximately RMB20.0 million from approximately RMB93.7 million in 2018. Such income was primarily the interest income.

Other gains and losses

For the year ended 31 December 2019, the Group recorded other losses of approximately RMB161.3 million, representing an increase of approximately RMB68.3 million from approximately RMB93.0 million in 2018. Such losses were primarily the impairment loss of goodwill and the exchange loss arising from depreciation of RMB.

Selling and distribution expenses

For the year ended 31 December 2019, the Group's selling and distribution expenses increased by approximately 17.8% to approximately RMB128.3 million from approximately RMB108.9 million in 2018. Such increase was mainly due to the increase in the after-sales service expenses incurred and accrued in the automotive parts business.

R&D expenditure

For the year ended 31 December 2019, the Group's R&D expenditure increased by approximately 3.3% to approximately RMB50.5 million from approximately RMB48.9 million in 2018. Such increase was mainly due to the investment in the R&D centers of automotive parts business.

Administrative expenses

For the year ended 31 December 2019, the Group's administrative expenses decreased by approximately 15.8% to approximately RMB322.6 million from approximately RMB383.0 million in 2018. Such decrease was mainly due to the Group's enhancement in the management of administrative expenses, optimisation of office premises and the remuneration of management personnel.

Finance costs

For the year ended 31 December 2019, the Group's finance costs increased by approximately 14.6% to approximately RMB280.0 million from approximately RMB244.4 million in 2018.

Taxation

For the year ended 31 December 2019, the Group's taxation was the income tax credit of approximately RMB4.5 million as compared with the income tax expense of approximately RMB6.9 million in 2018. Such change was mainly due to the decrease in deferred income tax liabilities.

Loss for the year

For the year ended 31 December 2019, the Group recorded a loss of approximately RMB1,947.6 million, representing an increase of approximately 43.6% as compared to a loss of approximately RMB1,356.4 million in 2018. Such loss was mainly due to: (i) the investment losses arising from the sales and the unrealized (non-cash) loss arising from the unfavourable fair value changes of financial assets measured at FVTPL; (ii) the loss recorded in the share of results of joint ventures; and (iii) the decrease in the revenue and gross profit of the Group.

Loss per Share

For the year ended 31 December 2019, the basic and diluted loss per Share of the Group amounted to approximately RMB0.37, while the basic and diluted loss per Share amounted to approximately RMB0.28 in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities/assets

The Group adopts prudent financial policies, closely monitors its financial positions, and maintains adequate working capital and liquidity, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2019, the Group's net current liabilities amounted to approximately RMB592.9 million as compared with the net current assets amounted to approximately RMB816.4 million as at 31 December 2018. Such change was mainly due to the losses arising from sales and unfavourable fair value changes of financial assets measured at FVTPL.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK$. As at 31 December 2019, the Group's cash and bank balances amounted to approximately RMB261.6 million, representing a decrease of approximately 13.7% as compared with that of approximately RMB303.0 million as at 31 December 2018.

The borrowings of the Group are denominated in RMB, HK$ or US$. The Group regularly reviews and monitors the borrowings level. As at 31 December 2019, the Group's total borrowings amounted to approximately RMB1,745.8 million, representing a decrease of approximately 42.8% as compared with that of approximately RMB3,051.4 million as at 31 December 2018.

As at 31 December 2019, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 31.1% (31 December 2018: approximately 33.0%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2019, the Group's inventories amounted to approximately RMB159.2 million, representing an increase of approximately 15.7% as compared with that of approximately RMB137.6 million as at 31 December 2018. For the year ended 31 December 2019, the average turnover days of inventory were approximately 50.1 days (2018: approximately 51.1 days). The average turnover days of inventory 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 Group regularly reviews and monitors the level of trade receivables. As at 31 December 2019, the Group's trade receivables amounted to approximately RMB364.9 million, representing a decrease of approximately 33.1% as compared with that of approximately RMB545.5 million as at 31 December 2018. Such decrease was mainly due to the decrease in sales of automotive parts business. For the year ended 31 December 2019, the average turnover days of trade receivables were approximately 116.3 days (2018: approximately 108.7 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 Group regularly reviews and monitors the level of trade payables. As at 31 December 2019, the Group's trade payables amounted to approximately RMB520.1 million, representing a decrease of approximately 22.2% as compared with that of approximately RMB668.7 million as at 31 December 2018. Such decrease was mainly due to the decrease in procurement of automotive parts business resulting from its decrease in sales correspondingly. For the year ended 31 December 2019, the average turnover days of trade payables were approximately 200.8 days (2018: approximately 170.8 days). The average turnover days of trade payables were calculated as the average of opening and closing balances of trade payables for the year divided by cost of sales/services for the year and multiplied by 365 days.

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, SGX, Australian Securities Exchange and SSE as well as investments in unlisted entities. As at 31 December 2019, the investment cost of such investments was approximately RMB1,366.8 million (31 December 2018: approximately RMB3,382.8 million), and the fair value was approximately RMB915.2 million (31 December 2018: approximately RMB2,631.3 million), which was equivalent to approximately 15.1% (31 December 2018: approximately 26.9%) of the total assets of the Group as at 31 December 2019. For the year ended 31 December 2019, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB992.3 million (2018: approximately RMB906.1 million). Such loss was mainly due to the loss arising from the Group's disposal of the shares of Virscend Education Company Limited ("**Virscend Education**"), a company listed on the Main Board of the Stock Exchange (stock code: 1565).

The Group's interests in joint ventures represented the investments in joint ventures. As at 31 December 2019, the investment cost of such investments was approximately RMB1,105.2 million (31 December 2018: approximately RMB1,157.1 million), and the carrying amount was approximately RMB588.2 million (31 December 2018: approximately RMB1,017.4 million), which was equivalent to approximately 9.7% (31 December 2018: approximately 10.4%) of the total assets of the Group as at 31 December 2019. For the year ended 31 December 2019, the share of results of joint ventures of the Group recorded a loss of approximately RMB388.1 million (2018: approximately RMB92.4 million). Such loss was mainly due to the unrealised (non-cash) loss arising from the unfavourable fair value changes of financial assets measured at FVTPL held by joint ventures.

The principal investment objective of the Group is to explore capital appreciation with a view to enhancing the application of the Group's financial resources and maximising returns for the shareholders of the Company (the "**Shareholders**"). Investments will be made by the Group in segments and industries that the Directors may determine from time to time having considered, among others, their prospect, returns to the Group and potential risks. Looking ahead, the global stock market will remain volatile due to the uncertainties attributed by trade frictions, interest rate fluctuations, COVID-19 epidemic and geopolitical conditions. The performance of the Group's securities investments and other investments may be affected by such unstable market conditions. The Group will regularly review its investment strategies, and closely monitor the stock markets. In addition, the Group will seek potential investment opportunities to diversify its investment portfolio for the purpose of mitigating the related risks.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the year ended 31 December 2019, the Group's capital expenditures and capital commitments were primarily the expenses and commitments of automotive parts business and education operation business in respect of additions to properties, plants and equipment.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB371.6 million (31 December 2018: approximately RMB1,021.1 million) and the Group's land, property and plant with a carrying amount of approximately RMB150.9 million (31 December 2018: approximately RMB40.1 million) had been pledged to acquire borrowings for the Group.

As at 31 December 2019, the Group's restricted bank balances with a carrying amount of approximately RMB481.0 million (31 December 2018: approximately RMB625.3 million) were used for customer deposits for trading securities and pledges for bills payables with a maturity of six months issued to suppliers and so forth.

HUMAN RESOURCES

As at 31 December 2019, the Group had 3,896 employees (31 December 2018: 4,114 employees). For the year ended 31 December 2019, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB416.3 million (2018: approximately RMB396.8 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. 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 is determined based on their job duties and responsibilities, experience and the prevailing market condition.

INTEREST RATE RISK

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Disposals of Shares in Sichuan Xinjinlu Group Co., Ltd.

As disclosed in the Company's announcement dated 24 June 2019, up to 24 June 2019, 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, disposed an aggregate of 61,258,365 shares of Sichuan Xinjinlu Group Co., Ltd.* (四川新金路集團股份有限公司) (formerly known as Sichuan Jinlu Group Co., Ltd.* (四川金路集團股份有限公司)), a company listed on Shenzhen Stock Exchange (stock code: 000510), representing approximately 10.06% of its total number of issued shares as at 24 June 2019. The aggregate consideration is approximately RMB300.2 million. For further information, please refer to the Company's announcement dated 24 June 2019.

Disposals of Shares in Virscend Education Company Limited

As disclosed in the Company's announcement dated 28 November 2019, (i) over the period from 13 June 2019 to 27 November 2019, the Group has sold an aggregate of 282,567,000 shares of Virscend Education, the aggregate gross sale proceeds is approximately HK$324.97 million; and (ii) over the period from 30 April 2019 to 25 November 2019, the Group has acquired an aggregate of 309,000 shares of Virscend Education, the aggregate consideration is approximately HK$0.70 million.For further information, please refer to the Company's announcements dated 28 November 2019 and 10 January 2020, respectively.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the year ended 31 December 2019, the Company had not carried out any equity fund raising activities involving the utilisation of the general mandate granted at the annual general meeting of the Company (the "**AGM**") held on 6 June 2018 and the general mandate granted at the AGM held on 5 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2019, the Company had complied with the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules so as to enhance the corporate governance standard of the Company. During the reporting period, there has been no material changes of the corporate governance practices as compared with the information disclosed in the 2018 annual report of the Company.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code for the year ended 31 December 2019.

COMPLYING WITH THE STANDARD CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the year ended 31 December 2019.

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.

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 by the Company. 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 2019, no share options were granted or agreed to be granted under the Share Option Scheme by the Company. In addition, as at 31 December 2019, no share options under the Share Option Scheme were outstanding.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, 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 2019, the Group did not involve in any significant legal proceedings or arbitration. Save as disclosed below, 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.

As disclosed in the Company's announcement dated 4 March 2020, the Company received a statutory demand (the "**Statutory Demand**") dated 21 February 2020 issued by the legal representative of Champion Sense Global Limited demanding the Company to pay the amount of HK$823,013,698.63, or secure or compound for it to the creditor's satisfaction. If the Company fails to deal with the Statutory Demand within 3 weeks, a winding-up order may be made in respect of the Company. The Company is in negotiation with the bondholder regarding the amendment of the terms and conditions of the bonds, including but not limited to an extension of the maturity date. For further information, please refer to the Company's announcement dated 4 March 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") that, in declaring and distributing dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value.

The Board has the discretion to declare and distribute dividends to the Shareholders, pursuant to the articles of association of the Company and all applicable laws and regulations.

The Board shall take into account the following factors of the Group when considering the declaration and distribution of dividends, among others, financial result, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

The Board shall review the Dividend Policy as appropriate from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: 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 is comprised of three independent non-executive Directors. The Audit Committee has reviewed the Group's unaudited consolidated financial statements and annual results for the year ended 31 December 2019. They expressed no disagreement with the accounting policies and principles adopted by the Group.

AUDITOR

The Auditor is Deloitte Touche Tohmatsu. Due to the measures such as travel restrictions and quarantine policies in force in some areas of China to combat COVID-19 outbreak, the Auditor has not completed the audit process on the Group's consolidated financial statements for the year ended 31 December 2019 as at the date of this announcement. The unaudited annual results contained herein have not been agreed with the Auditor as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

Based on the information available to the Board and the Auditor as at the date of this announcement, and assuming that reasonable progress will be made in the resumption of commercial activities and transport and the lifting or alleviation of travel and other restrictions, in areas of China where the Group has operations, it is expected that the audited results of the Group for the year ended 31 December 2019 will be published on or before 30 April 2020.

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

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk. The annual report of the Company for the year ended 31 December 2019, in both English and Chinese versions, will be despatched to the Shareholders to their choice of means of receipt and language of corporate communications of the Company, and will also be available on the same websites as mentioned above in due course.

SUBSEQUENT EVENTS

Disposal of interest in GSV AcceleraTE Fund I, L.P.

As disclosed in the Company's announcement dated 5 February 2020, First Capital International Investment Holdings Limited ("**FC International Investment**"), an indirect wholly-owned subsidiary of the Company, and Industry Ventures Secondary VIII-A, L.P. ("**Industry Ventures**"), entered into a purchase and sale agreement, pursuant to which FC International Investment has conditionally agreed to sell and Industry Ventures has conditionally agreed to purchase the entire interest in GSV AcceleraTE Fund I, L.P. at a consideration of approximately US$18.3 million. For further information, please refer to the Company's announcement dated 5 February 2020.

Change of Directors and Members and Chairman of Board Committees

As disclosed in the Company's announcement dated 17 February 2020, (i) Mr. Wang Song, an independent non-executive Director, has resigned as an independent non-executive Director, the chairman of the remuneration committee of the Company (the "**Remuneration Committee**") and a member of the Audit Committee, the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") of the Company with effect from 17 February 2020; (ii) Dr. Du Xiaotang has been appointed as the chairman of the Remuneration Committee with effect from 17 February 2020; and (iii) Mr. Loo Cheng Guan has been appointed as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Strategy Committee with effect from 17 February 2020. For further information, please refer to the Company's announcement dated 17 February 2020.

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, loyal customers, the government, business partners and professional advisers.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, Mr. Zhao Zhijun and Dr. Zhu Huanqiang; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan.

* *For identification purpose only*