CFCG

中國首控集團有限公司
China First Capital Group Limited

Annual Report 2022

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1269

首控文化

The Core Cultural Concepts of CFCG


寬容
Inclusive
原則
Principle
相信
Belief
溝通
Communication
學習
Learning
感恩
Gratitude

About CFCG

The Company is an investment holding company. The Group maintains a diversified development strategy to provide customers with a wide range of products and services, and is mainly engaged in financial services business, education management and consultation business and automotive parts business currently. Our financial services business can provide services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management; our education management and consultation business mainly provides international high school curriculum and overseas study consultation services; and our automotive parts business is mainly engaged in R&D, manufacturing and sales of automobile absorbers.

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Corporate Information

THE BOARD

Executive Directors

Dr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun *(Co-Chief Executive Officer)*
Dr. ZHU Huanqiang *(Co-Chief Executive Officer)*

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Dr. DU Xiaotang
Mr. LOO Cheng Guan

AUDIT COMMITTEE

Mr. CHU Kin Wang, Peleus *(chairman)*
Dr. DU Xiaotang
Mr. LOO Cheng Guan

NOMINATION COMMITTEE

Dr. Wilson SEA *(chairman)*
Mr. CHU Kin Wang, Peleus
Mr. LOO Cheng Guan

REMUNERATION COMMITTEE

Dr. DU Xiaotang *(chairman)*
Mr. ZHAO Zhijun
Mr. CHU Kin Wang, Peleus

STRATEGY COMMITTEE

Dr. Wilson SEA *(chairman)*
Mr. ZHAO Zhijun
Dr. ZHU Huanqiang
Mr. LOO Cheng Guan

RISK MANAGEMENT COMMITTEE

Dr. Wilson SEA *(chairman)*
Dr. ZHU Huanqiang
Mr. CHU Kin Wang, Peleus

COMPANY SECRETARY

Mr. CHAN Kwok Kee, Andy

AUTHORISED REPRESENTATIVES

Dr. ZHU Huanqiang
Mr. CHAN Kwok Kee, Andy

HONG KONG LEGAL ADVISER

Loeb & Loeb LLP

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation (Nanyang Branch)

AUDITOR

Linksfield CPA Limited
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 702, 7/F
Fu Fai Commercial Centre
27 Hillier Street, Sheung Wan
Hong Kong+

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xipingtou Industrial Park
Xichuan County, Henan Province

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong#

STOCK EXCHANGE STOCK CODE

1269

COMPANY WEBSITE

http://www.cfcg.com.hk

\+ with effect from 1 April 2023
\# with effect from 15 August 2022

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the 2022 Financial Year.

In 2022, with tremendous support from the Shareholders, customers, colleagues, and the society, the Group adhered to the diversified development strategy and drove the Group's sustainable development with the three major businesses of financial services, education management and consultation and automotive parts as the lead. Meanwhile, the Group actively optimised and improved its debt structure and financial position by negotiating with various creditors to explore alternatives for debt restructuring.

In 2022, the financial market in Hong Kong remained remarkably resilient despite the difficulties of macroeconomic and geopolitical conflicts. Hong Kong continued to strengthen cooperation with China, and proactively promoted regulation innovations and the development of financial technology and green finance, which enhanced Hong Kong's long-term competitiveness and attractiveness as an international financial centre. The Group paid high attention to market dynamics, kept abreast of the market development trends and strengthened the integration of resources in the financial industry chain by using multiple financial instruments and strategies comprehensively, in order to provide various entities with featured, differentiated and professional services, and to promote steady and sustainable development for every financial service business.

In 2022, the Group followed the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the post-pandemic era, integrated the essence of eastern and western education, explored the localisation of international curriculum and the characterisation of local curriculum, and implemented curriculum integration and optimised the curriculum structure, so as to establish a new type of international education service platform. Through introducing quality education resources, enriching the curriculum structure and innovating the curriculum contents, improving the teaching quality assurance system and raising the level of teachers, the Group provided students with personalised and comprehensive international education services, and nurtured talents of new generation equipped with international vision and competitiveness.

In 2022, with the vision of "Where there are cars, there is Cijan", the Group's automotive parts business, adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", exerted its existing advantages on brands and technologies to enhance the capacities of R&D of new products and the industrialisation of new technology, kept up with the trend of new energy vehicles and vehicle export, promoted the supplier qualification examination of automobile manufacturers and the progress of mass production of corresponding automotive parts, and actively developed new markets both in China and abroad.

In the coming year, as COVID-19 prevention and control measures have become normalised globally, the world sees gradual recovery of travelling and trade exchanges. The economic recovery and industrial upgrading will continue to advance, and the development of all industries will embrace recovery. Under the backdrop of opportunities and challenges coexisted, the Group will adhere to business innovation and development, and explore new business areas and development opportunities while promoting the development of existing businesses. We wish to make progress along with our Shareholders, partners and colleagues, and open a new chapter together.

Wilson SEA
Chairman and Executive Director
29 March 2023

Management Discussion And Analysis

INTRODUCTION

The Company is an investment holding company. The Group maintains a diversified development strategy to provide customers with a wide range of products and services, and is mainly engaged in financial services business, education management and consultation business and automotive parts business currently. Our financial services business can provide services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management; our education management and consultation business mainly provides international high school curriculum and overseas study consultation services; and our automotive parts business is mainly engaged in R&D, manufacturing and sales of automobile absorbers.

BUSINESS REVIEW

Financial Services Business

The Group has obtained diversified financial service licences and established a consummate financial service system to provide various entities with featured, differentiated and professional financial services. FC Securities is licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong). In addition to dealing in securities and providing margin financing business to customers, it is also engaged in underwriting and placing of shares for listing applicants and listed companies. New Momentum Asset Management Limited (formerly known as First Capital Asset Management Limited) is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. It can provide portfolio management services (such as stocks, bonds, discretionary managed accounts, and funds), investment consultation and investment advisory services to its clients. FC International Finance is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and has been admitted by the SFC as a sponsor under the SFO. As such, FC International Finance can act as a sponsor for listing applicants in IPO, advise on matters in relation to the "Codes on Takeovers and Mergers and Share Buybacks" formulated by the SFC, and advise listed companies in relation to the Listing Rules.

During the year under review, given the complex and volatile financial market environment, the Group's financial services business paid high attention to market dynamics, kept abreast of the market development trends and actively responded to various risks and challenges to ensure the stable and orderly operation of various businesses. Each business units of financial services collaborated to enrich and optimise its product portfolios, focused on expanding channel resources and institutional customers, and actively explored new business directions to provide diversified services for listing applicants and listed companies, so as to obtain more business opportunities.

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

Education Management and Consultation Business

Education management and consultation business of the Group mainly operates the PGA (Project of Global Access) international high school curriculum and provides overseas study consultation services to students, and the campuses are located in Beijing, Shanghai, Chongqing, Xi'an, Hangzhou, Wuhan and Zhengzhou.

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

Automotive Parts Business

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

In light of the development trend of technological change and ecological reshaping in the automotive industry, the Group's automotive parts business, adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management (開發市場、狠抓質量、提升研發、強化管理)", deepened its Amoeba management model, exerted its existing advantages on brands and technologies, ramped up the levels of product R&D and quality control to establish efficient and productive factories. With the vision of "Where there are Cars, there is Cijan (哪裡有汽車、哪裡就有漸減) ", the Group continued to optimise and improve the structures of its products and customers, and deeply explored the potentiality of the market. While consolidating its existing markets, the Group actively explored new markets.

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

During the year under review, the Company actively optimised and improved its debt structure and financial position by negotiating with various creditors to explore alternatives for debt restructuring. On 13 January 2022, the Company, Champion Sense and other related parties entered into a convertible bonds reorganisation framework agreement, a convertible bonds purchase agreement and a convertible bonds terms and conditions amendment and restatement agreement, respectively, to reorganise the Convertible Bonds. On 31 March 2022, Wuxi First Capital Equity Investment Fund Centers (Limited Partnership)* (無錫首控股權投資基金管理中心(有限合夥)) ("**FC Wuxi**"), an indirectly non-wholly owned subsidiary of the Company, Honesty Virtue International Limited ("**Honesty Virtue**"), an independent third party to the Company, and Zhongyuan Bank Co., Ltd.* (中原銀行

股份有限公司) ("**Zhongyuan Bank**") entered into a share purchase agreement for the disposal of shares of Bojun Education (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 1758) held by FC Wuxi, the proceeds of which were used to repay the outstanding liabilities owed by the Company to Zhongyuan Bank. On 4 July 2022, the Company entered into separate settlement agreements with 15 creditors, pursuant to which the Company has conditionally agreed to allot and issue to the creditors and the creditors have conditionally agreed to subscribe for an aggregate of 164,750,000 consideration Shares at the subscription price of HK$0.310 per Share. The subscription amount payable by the creditors under the settlement agreements were satisfied by capitalising the respective indebted amount totaling HK$51,096,411 due from the Company. Such consideration Shares were issued and allotted to the respective creditors on 19 July 2022. For details, please refer to the announcements of the Company dated 4 July 2022 and 19 July 2022.

OUTLOOK

Financial Services Business

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

Looking forward, development opportunities and challenges will coexist in the global and Hong Kong market. The Group will follow the prevailing situation, seize the timing, innovate business models and actively explore business opportunities to promote the robust development of its financial services business. Leveraging on its diversified financial service licences and consummate financial service system, the Group will enable business units including investment banking, securities, asset management and research to work more closely, strengthen business synergy and collaboration between Hong Kong and China as well as Singapore, adhere to the strategies of differentiated and characteristic development, and elaborately build up and expand characteristic financial services. The Group will adhere to the core value of "All for the Customer". Leveraging on its brand awareness and market influence that has been established in the past, the Group will proactively plan for the customers closely based on their needs, upgrade its product and service systems, enrich product offerings and portfolio, providing customers with diversified and customised professional financial services.

Education Management and Consultation Business

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

Looking ahead to 2023, global prevention and control of the COVID-19 are basically relaxed with a number of countries removing all pandemic prevention restrictions. China also begins to manage COVID-19 with measures against "Class B" infectious disease. The world sees gradual recovery of travelling and trade exchanges. International exchanges and cooperation in education are regaining momentum, exhibiting a promising growth on international education market. The Group's education management and consultation business will embrace significant opportunities. The Group will follow the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the post-pandemic era. It will be leveraging on the brand and market influence of the PGA international curriculum, so as to establish a new type of international education service platform.

By innovating the curriculum system and optimising the curriculum structure with comprehensive integration of student personality development, academic planning and international education characteristics, the Group will strengthen cross-campus teaching and research, improve the quality of teaching and students' performance, and enhance students' comprehensive quality. Meanwhile, the Group will upgrade the services and products for further education and overseas study, design personalised solutions and carry out remote practical training and tutoring according to the needs and characteristics of school campuses and students, and provide convenient access and services for students to pursue further education and overseas study. The Group will continue to optimise its information technology infrastructure for its services and quality system and develop standardised operational solutions to achieve the standardisation of course contents, teaching methods, team management, operational management, brand management and services for further education, so as to establish a streamlined and efficient workflow system.

Automotive Parts Business

In 2023, as China's COVID-19 prevention and control measures have become normalised, economic recovery and industrial upgrading will continue to advance. Automobile models will be upgrading more rapidly, the penetration rate of new energy vehicles will increase and China's passenger car market will be booming in both production and sales. With the continuous improvement in logistics and supply chain, coupled with waves of price cuts and subsidies sweeping across China, automobile consumption will be driven to a new stage, facilitating the growth in automobile and automotive parts industries. The Group will implement effective development strategies to promote the development of its automotive parts business.

The Group's automotive parts business will leverage on its established brand and technology strengths, target for "Top Quality and Customer Satisfaction", place emphasis on "Focuses on Process and Results", perfect its quality system and improve the product quality and customer satisfaction. The Group will keep on optimising and improving the structures of its products and customers according to the development trend of the automobile industry and the operation conditions of automobile manufacturers, and strengthen existing market share and competitiveness while devoting itself to the emerging markets such as the aftersales market, the international market and the rail transit market. The Group commits itself to building first-class R&D centers and regards "Utilisation, R&D and Reserve" as its technical management philosophy, in order to boost the reserve and market promotion and application of new technologies.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's overall revenue increased by approximately 9.7% to approximately RMB1,199.9 million from approximately RMB1,093.8 million in 2021, of which revenue from automotive parts business increased by approximately 11.1% to approximately RMB1,127.0 million from approximately RMB1,014.7 million in 2021, revenue from financial services business decreased by approximately 21.4% to approximately RMB22.0 million from approximately RMB28.0 million in 2021, and revenue from education management and consultation business decreased by approximately 0.4% to approximately RMB50.9 million from approximately RMB51.1 million in 2021. The increase in revenue was mainly due to the increase in sales of automotive parts business.

Cost of sales/services

For the year ended 31 December 2022, the Group's overall cost of sales/services increased by approximately 8.0% to approximately RMB997.8 million from approximately RMB923.5 million in 2021, of which cost of sales from automotive parts business increased by approximately 7.9% to approximately RMB959.5 million from approximately RMB889.0 million in 2021, cost of services from financial services business increased by approximately 220.0% to approximately RMB1.6 million from approximately RMB0.5 million in 2021, and cost of services from education management and consultation business increased by approximately 7.9% to approximately RMB36.7 million from approximately RMB34.0 million in 2021. The increase in cost of sales/services was mainly due to the increase in sales of automotive parts business.

Gross profit

For the year ended 31 December 2022, the Group's overall gross profit increased by approximately 18.7% to approximately RMB202.1 million from approximately RMB170.3 million in 2021, of which gross profit from automotive parts business increased by approximately 33.3% to approximately RMB167.5 million from approximately RMB125.7 million in 2021, gross profit from financial services business decreased by approximately 25.8% to approximately RMB20.4 million from approximately RMB27.5 million in 2021, and gross profit from education management and consultation business decreased by approximately 17.0% to approximately RMB14.2 million from approximately RMB17.1 million in 2021.

Gross profit margin

For the year ended 31 December 2022, the Group's overall gross profit margin increased by approximately 1.2 percentage points to approximately 16.8% from approximately 15.6% in 2021, of which gross profit margin of automotive parts business increased by approximately 2.5 percentage points to approximately 14.9% from approximately 12.4% in 2021, gross profit margin of financial services business decreased by approximately 5.5 percentage point to approximately 92.7% from approximately 98.2% in 2021, and gross profit margin of education management and consultation business decreased by approximately 5.6 percentage points to approximately 27.9% from approximately 33.5% in 2021.

Other income and expenses

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

Other losses

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

Expected credit losses

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

Selling and distribution expenses

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

R&D expenditure

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

Administrative expenses

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

Finance costs

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

Taxation

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

Loss for the year

For the year ended 31 December 2022, the Group recorded a loss of approximately RMB419.6 million, representing a decrease of approximately 61.9% as compared with a loss of approximately RMB1,102.5 million in 2021. Such decrease was mainly due to (i) the impairment of goodwill of approximately RMB275.1 million due to discontinued operations in 2021; (ii) the loss arising from fair value changes of financial assets at FVTPL in 2022 decreased by approximately RMB149.1 million as compared to 2021.

Loss per Share

For the year ended 31 December 2022, the basic and diluted loss per Share of the Group amounted to approximately RMB0.28, while the basic and diluted loss per Share amounted to approximately RMB0.88 in 2021 (adjusted with consideration of the effect of the Share Consolidation).

WORKING CAPITAL, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities

The Group adopts prudent financial policies, and closely monitors its financial positions, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2022, the Group's net current liabilities amounted to approximately RMB1,291.5 million, representing an increase of approximately 4.3% as compared with that of approximately RMB1,238.8 million as at 31 December 2021.

Financial position and borrowings

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

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

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

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

Working capital

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

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

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2022, the Group's trade payables amounted to approximately RMB613.0 million, representing an increase of approximately 6.2% as compared with that of approximately RMB577.4 million as at 31 December 2021. Such increase was mainly due to the increase in procurement of automotive parts business.

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, Singapore Exchange Limited and Shanghai Stock Exchange as well as investments in unlisted entities. As at 31 December 2022, the fair value of such investments was approximately RMB293.9 million (31 December 2021: approximately RMB391.3 million), which was equivalent to approximately 10.7% (31 December 2021: approximately 12.8%) of the total assets of the Group as at 31 December 2022. For the year ended 31 December 2022, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB23.4 million (2021: approximately RMB172.5 million).

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the year ended 31 December 2022, the Group's capital expenditures amounted to approximately RMB20.3 million (2021: approximately RMB44.6 million), which were primarily the expenses of automotive parts business in respect of additions to properties, plants and equipment.

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

As at 31 December 2022, the Group's capital commitments in respect of additions to property, plant and equipment amounted to approximately RMB28.2 million (31 December 2021: approximately RMB3.3 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

As at 31 December 2022, the Group's restricted bank balances with a carrying amount of approximately RMB248.7 million (31 December 2021: approximately RMB192.1 million) were used for customer deposits for trading securities and pledges for bills payables with a maturity within one year issued to suppliers.

HUMAN RESOURCES

As at 31 December 2022, the Group had 1,752 employees (31 December 2021: 1,788 employees). For the year ended 31 December 2022, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB180.3 million (2021: approximately RMB174.2 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonus may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external training courses. Share options and/or awarded shares may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

INTEREST RATE RISK

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

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

FOREIGN EXCHANGE RISK

The consolidated financial statements of the Group are presented in RMB. Certain assets and liabilities of the Group are denominated in currencies other than RMB, such as HK$ and US$. Any material volatility in the exchange rates of these currencies against RMB may affect the financial position of the Group.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

For the year ended 31 December 2022, save as disclosed below, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

Disposals of Shares in Bojun Education

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

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

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

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the year ended 31 December 2022, save as disclosed below, the Company had not carried out any other equity fund raising activities involving the utilisation of the general mandate granted at the AGM held on 16 June 2020, the general mandate granted at the AGM held on 9 June 2021 and the general mandate granted at the AGM held on 23 June 2022.

					Actual use of proceeds	
Date of agreement	**Fund raising activity**	**Gross and net proceeds**	**Proposed use of proceeds**	**Change in proposed use of proceeds**	**As at 31 December 2021**	**As at 31 December 2022**
7 June 2021	Top-up subscription of 227,000,000 new ordinary Shares at the price of HK$0.045 (approximately HK$0.043 net) per Share[1]	Approximately HK$10.2 million and approximately HK$9.7 million	(i) approximately 95% for repayment of outstanding debts of the Group; and (ii) approximately 5% for general working capital of the Group	Approximately 5% of the net proceeds (being approximately HK$0.5 million) being re-allocated for use of general working as the Group received more demands for settlement of expenses as expected during the period from July to October 2021	Approximately 10% (being approximately HK$1.0 million) had been applied for general working capital of the Group	Fully utilised in accordance with expected timeline, with (i) approximately 90% (being approximately HK$8.7 million) for repayment of outstanding debts of the Group; and (ii) approximately 10% (being approximately HK$1.0 million) for general working capital of the Group
5 November 2021	Placing of 201,061,600 new ordinary Shares at the price of HK$0.205 (approximately HK$0.202 net) per Share[2]	Approximately HK$41.2 million and approximately HK$40.7 million	(i) approximately 80% for repayment of outstanding debts of the Group; and (ii) approximately 20% for general working capital of the Group	N/A	Approximately 14.7% (being approximately HK$6.0 million) had been applied for general working capital of the Group	Fully utilised in accordance with expected use and timeline, with (i) approximately 80% (being approximately HK$32.6 million) for repayment of outstanding debts of the Group; and (ii) approximately 20% (being approximately HK$8.1 million) for general working capital of the Group

Notes:

1. The Company, Wealth Max and FC Securities, as placing agent, entered into a placing and subscription agreement, pursuant to which Wealth Max has agreed to (i) place, through the placing agent, on a best effort basis, a maximum of 227,000,000 placing Shares held by Wealth Max to the placees at a price of HK$0.045 per placing Share; and (ii) subscribe for such number of top-up subscription Shares equivalent to the number of placing Shares actually sold by Wealth Max under the placing at a price of HK$0.045 (approximately HK$0.043 net) per top-up subscription Share. The aggregate nominal value of the subscription Shares were HK$4,540,000. The market price of the Shares on 7 June 2021, being the date when the issuance terms were determined, was HK$0.052 per Share. The completion of the top-up subscription took place on 21 June 2021. The placees are independent professional institutional or other investors, who are Independent Third Parties.

   The Directors considered that the top-up subscriptions would allow the Company to settle the indebted amounts concerned without utilising existing financial resources of the Group in order to reduce interest expenses, alleviate the repayment pressure of the Group and reduce cash outflow from the Group. Moreover, it would broaden the Company's shareholders base and reduce the gearing level of the Group. The Directors therefore consider that the terms of the relevant agreement are fair and reasonable, and the top-up subscriptions is in the interests of the Company and the Shareholders as a whole.

2. The Company and FC Securities, as placing agent, entered into a placing agreement, pursuant to which the placing agent procure not less than six placees to subscribe for up to 201,061,600 new Shares at a price of HK$0.205 (approximately HK$0.202 net) per placing Share on a best effort basis. The aggregate nominal value of the placing Shares were HK$20,106,160. The market price of the Shares on 5 November 2021, being the date when the issuance terms were determined, was HK$0.255 per Share. The completion of the placing took place on 29 November 2021. The placees are independent professional institutional or other investors, who are Independent Third Parties.

   The Directors consider that the placing (i) enables the Company to raise capital required to repay debts of the Group and increase its general working capital; and (ii) represents an opportunity to broaden its shareholder base and to strengthen the financial position of the Group. The Directors therefore consider that the terms of the placing agreement are fair and reasonable, and the placing is in the interests of the Company and the Shareholders as a whole.

EXECUTIVE DIRECTORS

Dr. Wilson Sea

Dr. Wilson Sea ("**Dr. Sea**"), aged 59, was appointed as the Chairman and a non-executive Director on 27 April 2011 and was re-designated as the Chairman and an executive Director on 1 January 2015. He is responsible for the general strategic planning, business planning and co-ordination of the Group, as well as the supervision of the management's implementation and execution of the strategies. He is also a director of a number of subsidiaries of the Company.

From 1997 to 2004, Dr. Sea worked in Minsheng Securities Co., Ltd. as an assistant to president, president and chairman consecutively, responsible for the investment banking business, the business of research, planning and development of the company. From 2004 to 2007, he was the chairman of the board of Kaifeng Lanwei Highway Development Company Limited* (開封市蘭尉高速公路發展有限公司). He worked as the vice-chairman of the board of Yubei (Xinxiang) Power Steering System Co., Ltd.* (豫北(新鄉)汽車動力轉向器有限公司) from 2007 to 2011.

Dr. Sea obtained a bachelor's degree in economics from Henan University in 1986. He further obtained a master's degree and a doctoral degree in economics from Fudan University in 1992 and 1995 respectively. He was appointed as a professor by Henan University in 1995.

Dr. Sea is the director and shareholder of Wealth Max, a Shareholder. As at the Latest Practicable Date, Dr. Sea is deemed to be interested in 163,765,800 Shares, representing approximately 9.51% of the total issued Shares. Dr. Sea is the brother-in-law of Dr. Wang Hui, the chief financial officer of the Company.

Mr. Zhao Zhijun

Mr. Zhao Zhijun ("**Mr. Zhao**"), aged 48, was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011 and was re-designated as a Co-CEO and an executive Director on 26 July 2017. As a Co-CEO, Mr. Zhao is principally responsible for the management and development of the automotive parts business of the Group. He is also a director of a number of subsidiaries of the Company.

Mr. Zhao has substantial experience in management in automobile shock absorber industry. Prior to joining the Group, Mr. Zhao worked for the general office of the Zhengzhou Office of the CSRC from 1999 to 2002. He served as a general manager of Nanyang business department of Minsheng Securities Co., Ltd. from 2002 to 2005.

Mr. Zhao graduated from Central South University with a master's degree in philosophy in 2004.

Dr. Zhu Huanqiang

Dr. Zhu Huanqiang ("**Dr. Zhu**"), aged 53, was appointed as a deputy chief executive officer of the Company on 11 October 2016 and a Co-CEO on 26 July 2017. He was appointed as a Co-CEO and an executive Director on 30 January 2018 with effect from 1 February 2018. As a Co-CEO, Dr. Zhu is principally responsible for the management and development of the financial services business and education management and consultation business of the Group. He is also a director of a number of subsidiaries of the Company.

Dr. Zhu has substantial experience in the capital market. From 1997 to 2010, he held various positions at the CSRC, including serving as a director of Inspection Division II of the Department of Intermediary Supervision of the CSRC and a deputy director of Heilongjiang Regulatory Bureau of the CSRC. From 2011 to 2016, he served as a deputy general manager of China Securities Finance Corporation Limited ("**CSF**") and a member of the Committee of Communist Party of China of CSF.

Dr. Zhu is a qualified lawyer in China. He obtained a master's degree in law with a major in civil law from Southwest University of Political Science and Law in 1996 and a doctoral degree in law with a major in civil and commercial law from China University of Political Science and Law in 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus

Mr. Chu Kin Wang, Peleus ("**Mr. Chu**"), aged 58, was appointed as an INED on 19 October 2011. Mr. Chu has over 30 years of experience in corporate finance, audit, accounting and taxation.

Since 2019, Mr. Chu was or has been an executive director or a senior management of the following companies listed on the Main Board of the Stock Exchange: (a) Chinese People Holdings Company Limited (stock code: 681): an executive director from December 2008 to March 2015 and the deputy chairman and an executive director from March 2015 to October 2020; and (b) Momentum Financial Holdings Limited (stock code: 1152): an executive director from August 2021 to March 2022.

Since 2019, Mr. Chu was or has also been an independent non-executive director of the following companies listed on the Main Board or the GEM of the Stock Exchange: (a) Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117): since April 2007; (b) Huayu Expressway Group Limited (stock code: 1823): since May 2009; (c) SuperRobotics Holdings Limited (formerly known as SkyNet Group Limited) (stock code: 8176): from March 2012 to November 2021; (d) Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057): since September 2015; (e) Mingfa Group (International) Company Limited (stock code: 846): since November 2016; (f) Xinming China Holdings Limited (stock code: 2699): from April 2021 to August 2021; (g) Peking University Resources (Holdings) Company Limited (stock code: 618): from October 2021 to October 2022; and (h) Hyfusin Group Holdings Limited (stock code: 8512): since December 2021.

Mr. Chu graduated from the University of Hong Kong with a master's degree in business administration. Mr. Chu is a fellow member of both the HKICPA and the Association of Chartered Certified Accountants. He is also an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Dr. Du Xiaotang

Dr. Du Xiaotang ("**Dr. Du**"), aged 49, was appointed as an INED on 19 July 2019. Dr. Du has approximately 20 years of experience in corporate finance, capital market, private equity investment, merger and acquisitions and legal compliance advisory to listed companies.

Dr. Du commenced his career in Henan University as a teacher from July 1996 to June 2002. From June 2003 to July 2013, Dr. Du was an associate and a partner at Grandall Law Firm successively, a law firm in the PRC. From September 2013 to December 2020, Dr. Du was a department managing director of China Everbright Limited, a company listed on the Stock Exchange (stock code: 165). He has been acting as the general manager of Shanghai Everbright Swift Equity Investment Management Co., Ltd.* (上海光控浦燕股權投資有限公司) since January 2021. He is also currently (a) an executive director and the assistant chief executive officer of Kinergy Corporation Ltd., a company listed on the Stock Exchange (stock code: 3302); and (b) an independent non-executive director of China Tianrui Group Cement Company Limited, a company listed on the Stock Exchange (stock code: 1252). From April 2017 to April 2020, Dr. Du was an independent director 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).

Dr. Du obtained a bachelor's degree of education from Henan University in June 1996, a master's degree in law from Henan University in June 2002, and a doctoral degree in economics from Fudan University in June 2005.

Mr. Loo Cheng Guan

Mr. Loo Cheng Guan ("**Mr. Loo**"), aged 59, was appointed as an INED on 17 February 2020. Mr. Loo has over 30 years of experience in mergers and acquisitions, private equity and corporate finance.

Mr. Loo is the executive director of King Tower Asset Management (Singapore) Pte Limited and the founder and director of Vermilion Gate Pte Limited. Mr. Loo is currently an independent director of Valuetronics Holdings Limited, a company Listed on Singapore Exchange Limited (stock code: BN2).

Mr. Loo had also served as a board member of several companies listed on different exchanges, such as (a) as an executive director of C&G Environment Protection Holdings Ltd. (stock code: D79), as an independent director of Citicode Ltd. (formerly known as Advance SCT Limited) (stock code: 5FH), as an independent director of Datapulse Technology Holdings (stock code: BKW), and as the lead independent director of Mirach Energy Limited (stock code: AWO), shares of all of which are listed on Singapore Exchange Limited; (b) as a director of Grandblue Environment Co., Ltd.* (瀚藍環境股份有限公司) (stock code: 600323), shares of which are listed on Shanghai Stock Exchange; and (c) as a non-executive director of Blackbird Energy Inc. (stock code: BBI), shares of which are listed on TSX Venture Exchange.

Mr. Loo obtained a bachelor of economics in 1988 and a master of business administration in 1991, both from Monash University in Australia.

SENIOR MANAGEMENT

Mr. Chan Kwok Kee, Andy

Mr. Chan Kwok Kee, Andy ("**Mr. Chan**"), aged 50, was appointed as the Company Secretary on 31 August 2021.

Mr. Chan has extensive experience in the company secretarial and compliance field. Before joining the Company, he worked for another company listed on the Main Board of the Stock Exchange and was responsible for handling company secretarial work for nearly 20 years.

Mr. Chan obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in 1994. He is a fellow member of the HKICPA and the Association of Chartered Certified Accountants.

Dr. Wang Hui

Dr. Wang Hui ("**Dr. Wang**"), aged 44, was appointed as the chief financial officer of the Company on 31 December 2015. He is also a director of a number of subsidiaries of the Company. Dr. Wang is the brother-in-law of Dr. Sea.

Dr. Wang has extensive experience in corporate finance and accounting, project investment and decision-making, risk management and control. He had served as chief financial officer of several manufacturing companies and private fund management companies.

Dr. Wang obtained a bachelor's and a master's degrees in economics from Shanghai University of Finance and Economics in 2000 and 2003, respectively. Then, he obtained a doctoral degree in management from Shanghai University of Finance and Economics in 2007. Dr. Wang is a non-practising member of China Association of Certified Public Accountants.

Ms. Sun Bo

Ms. Sun Bo ("**Ms. Sun**"), aged 48, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Ms. Sun is responsible for the operation and management of financial services business units of the Group. She is also a director of a number of subsidiaries of the Company.

Ms. Sun served as a senior manager of Minsheng Securities Co., Ltd. from December 1996 to February 2002, an investor relations vice president of Zhongyu Gas Holdings Limited (transferred listing from the GEM (stock code: 8070) to the Main Board (stock code: 3633) of the Stock Exchange) from June 2004 to August 2010, and an executive director of Great China Properties Holdings Limited (formerly known as Beauforte Investors Corporation Limited) (a company listed on the Stock Exchange, stock code: 21) from June 2006 to June 2007.

Ms. Sun obtained a master's degree in business administration from Anglia Polytechnic University in 2004.

Ms. Liu Chang

Ms. Liu Chang ("**Ms. Liu**"), aged 42, was appointed as the chief operating officer of the Company on 25 February 2019. Ms. Liu is responsible for (i) integrated management of daily operation matters of the middle and back office of the Group; (ii) enhancing management standard of various department of the middle and back office of the Group; and (iii) facilitating collaboration and cooperation among various departments of the Group. She is also a director of a subsidiary of the Company.

Ms. Liu is well-versed in corporate management, human resources, branding and corporate team building. She worked in senior management positions at a number of companies and financial institutions.

Ms. Liu obtained a degree of master of business administration (executive) at City University of Hong Kong in 2020.

Directors' Report

The Board hereby presents this annual report together with the audited consolidated financial statements of the Group for the 2022 Financial Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group maintains a diversified development strategy to provide customers with a wide range of products and services, and is mainly engaged in financial services business, education management and consultation business and automotive parts business currently. Our financial services business can provide services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management; our education management and consultation business mainly provides international high school curriculum and overseas study consultation services; and our automotive parts business is mainly engaged in R&D, manufacturing and sales of automobile absorbers.

SUBSIDIARIES

Details of the principal activities of the Company's principal subsidiaries as at 31 December 2022 are set out in the Notes to the Consolidated Financial Statements of this annual report.

CORPORATE GOVERNANCE

The Company is committed to promoting good corporate governance practices. Details on the corporate governance practises adopted by the Company are set out in the Corporate Governance Report of this annual report.

RESULTS

The results of the Group for the 2022 Financial Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

FINANCIAL SUMMARY

A summary of the consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this annual report.

DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the Shareholders, pursuant to the Articles of Association and all applicable laws and regulations. The Company has adopted a dividend policy (the "**Dividend Policy**") that, in recommending or declaring 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 shall also take into account the following factors of the Group when considering the declaration and payment of dividends, including financial result, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of the 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 2022 Financial Year (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2022 Financial Year, sales to the Group's five largest customers accounted for approximately 33.8% of the total revenue of the Group (2021: approximately 43.1%), of which sales to the largest customer accounted for approximately 14.5% of the total revenue of the Group (2021: approximately 17.4%).

For the 2022 Financial Year, purchases from the Group's five largest suppliers accounted for approximately 38.9% of the total purchases of the Group (2021: approximately 33.5%), of which purchases from the largest supplier accounted for approximately 10.3% of the total purchases of the Group (2021: approximately 8.7%).

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the issued Shares) had any interests in the Group's five largest customers or suppliers set out above.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the Group had property, plant and equipment at carrying value of approximately RMB485.9 million (31 December 2021: approximately RMB485.2 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

BORROWINGS

As at 31 December 2022, the Group's total borrowings amounted to approximately RMB1,421.3 million (31 December 2021: approximately RMB1,551.3 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

CAPITALISED INTERESTS

For the 2022 Financial Year, the Group did not capitalise any interest expenses related to properties under construction development (2021: Nil).

DONATIONS

For the 2022 Financial Year, the Group made charitable and other donations totalling RMB320,000 (2021: RMB1,100,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2022 Financial Year are set out in the Notes to the Consolidated Financial Statements of this annual report.

RESERVES

Details of the movements in the reserves of the Group for the 2022 Financial Year are set out in the Consolidated Statement of Changes of Equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the distributable reserves of the Company was nil (31 December 2021: Nil), as the Company's accumulated loss exceeded the share premium.

Under the Companies Act (Revised) of the Cayman Islands, in addition to the retained earnings of the Company, the share premium and capital reserve of the Company are also available for distribution to the Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the 2022 Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, under which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

SHARE SCHEMES

Pursuant to an ordinary resolution passed at the EGM held on 19 October 2011, the Share Option Scheme 2011 was approved and adopted by the Company. Pursuant to an ordinary resolution passed at the AGM held on 9 June 2021, the Share Option Scheme 2011 was terminated and the Share Option Scheme 2021 was approved and adopted by the Company.

On 5 July 2022, the Board resolved to adopt the Share Award Scheme.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company for the 2022 Financial Year (being 100,537,840 Shares under the Share Option Scheme 2021 and 145,157,000 Shares under the Share Award Scheme) divided by the weighted average number of Shares of the relevant class in issue for the 2022 Financial Year (being 1,528,231,808 Shares) is approximately 16.1%.

A. Summary of the Share Option Scheme 2021

1. Purpose

The purpose of the Share Option Scheme 2021 is to provide incentives or rewards to the Eligible Participants (as defined in paragraph 2 below) for their contribution to the growth of the Group and any invested entity and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

2. Eligible Participants

The Board may at its discretion offer options to any directors and employees of the Company or any of its subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with these companies) and any directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company. The abovementioned persons are collectively referred to as "**Eligible Participants**" and each an "**Eligible Participant**".

3. Maximum number of Shares available for subscription

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme 2021 was 100,537,840 Shares, representing approximately 5.84% of the total number of Shares in issue as at the date of this annual report.

4. Maximum entitlement of each Eligible Participant

Unless approved by the Shareholders in general meeting with the Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting, no option may be granted to any Eligible Participants which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of Shares in issue as at the date of such new grant.

5. Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme 2021 at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the date of grant.

Unless the Board otherwise determined and stated in the offer of grant of options to the grantee, a grantee is not required to achieve any performance target before any options can be exercised.

6. Subscription price

The subscription price in respect of each Share under the Share Option Scheme 2021 shall be determined by the Board and notified to the Eligible Participant and shall be no less than the highest of:

(i) the nominal value of a Share on the date of grant;

(ii) the closing price per Share on the Main Board of the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on such date of grant; and

(iii) the average closing price per Share on the Main Board of the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding such date of grant.

Eligible Participants are required to pay a consideration of HK$1.0 for the acceptance of an option granted to them.

7. **Period of the Share Option Scheme 2021**

   The Share Option Scheme 2021 will remain in force for a period of 10 years from the date of its adoption. The remaining life of the Share Option Scheme 2021 is approximately 8 years and 2 months as at the date of this annual report.

8. **Termination of the Share Option Scheme 2021**

   The Company may by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme 2021 and in such event, no further option shall be offered but the provisions of the Share Option Scheme 2021 shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme 2021. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme 2021.

B. Options granted by the Company

As at 1 January 2022 and 31 December 2022, 100,537,840 options could be granted under the Share Option Scheme 2021. For the 2022 Financial Year, no share options have been granted or agreed to be granted under the Share Option Scheme 2021 by the Company. As at 31 December 2022, no share options under the Share Option Scheme 2021 were outstanding, the following share options were outstanding under the Share Option Scheme 2011:

					Number of share options				
Category of participant	Date of grant	Vesting period	Exercise period	Exercise price per Share	Outstanding as at 1 January 2022	Granted during the 2022 Financial Year	Exercised during the 2022 Financial Year	Lapsed/ cancelled during the 2022 Financial Year	Outstanding as at 31 December 2022
Employee	16 June 2020	Fully vested immediately	16 June 2020 to 15 June 2030	HK$1.50	10,000,000	–	–	–	10,000,000

Note: The closing price per Share as stated in the Stock Exchange's daily quotation sheet immediately proceeding the date of grant was HK$0.985. The fair value of the share options granted as at the date of grant was approximately HK$4,780,000 (equivalent to approximately RMB4,363,000), which is subject to a number of assumptions and the limitation of the pricing model, and therefore may be subjective and uncertain.

C. Summary of the Share Award Scheme

1. Purpose

The purpose of the Share Award Scheme is (i) to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Participants

The Board may, from time to time, at its absolute discretion select selected person(s) (the"**Selected Person(s)**") from eligible person(s) (the"**Eligible Person(s)**") ,who is any individual being an employee (including without limitation any executive Director) or any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group, or any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company at any time between 5 July 2022 and 4 July 2032 or such date of early termination as determined by the Board (whichever the earlier), for participation in the Share Award Scheme.

3. Scheme Limit

The maximum number of Shares which may be awarded under the Share Award Scheme was 145,157,000 Shares, representing approximately 8.43% of the total number of Shares in issue as at the date of this annual report.

The maximum number of Shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

4. Award of Awarded Shares

Subject to the rules of the Share Award Scheme, the Board may grant such number of awarded shares to any Selected Person at a consideration of HK$1.0 or at a consideration determined by the Board with reference to the closing price of the Shares traded on the Stock Exchange and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

5. Vesting and Lapse

Subject to the rules of the Share Award Scheme, and the fulfilment of all vesting condition(s) and/or performance target(s) to the vesting of awarded shares on such Selected Person as specified in the Share Award Scheme and the grant notice, the respective awarded shares held by the trustee on behalf of the Selected Person shall vest in such Selected Person in accordance with the vesting schedule (if any) as set out in the grant notice.

Unless otherwise waived by the Board, in the event that the vesting condition(s) specified in the grant notice are not fully satisfied prior to or on the relevant vesting date, the award of awarded shares in respect of the relevant vesting date shall lapse.

In the event that prior to or on the vesting date, being a minimum of 12 months from the date of grant (or a shorter period to be approved by the Remuneration Committee), a Selected Person is found to be an excluded person or is deemed to cease to be an Eligible Person, the relevant award made to such Selected Person shall automatically lapse forthwith and the relevant awarded shares shall not vest on the relevant vesting date, unless the Board determines otherwise.

6. **Duration and Termination**

   Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date of such scheme. The remaining life of the Share Award Scheme is approximately 9 years and 3 months as at the date of this annual report.

D. Awarded Shares granted by the Company

As at 31 December 2022, 145,157,000 shares could be awarded under the Share Award Scheme. For the 2022 Financial Year, no Awarded Shares were granted or agreed to be granted under the Share Award Scheme by the Company. As at 31 December 2022, no awarded shares remained unvested.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the 2022 Financial Year and up to the Latest Practicable Date, the Company have maintained sufficient public float that the percentage of the Shares which are in the hands of the public exceeds 25% of the total number of Shares in issue as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holdings of the Shares.

DIRECTORS

The Directors for the 2022 Financial Year and up to the date of this annual report are:

Executive Directors

Dr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun *(Co-CEO)*
Dr. ZHU Huanqiang *(Co-CEO)*

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Dr. DU Xiaotang
Mr. LOO Cheng Guan

CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION

For the 2022 Financial Year and up to the date of this annual report, save as disclosed below, there have been no other changes regarding the Directors and their information which are required to be disclosed under the Listing Rules.

Mr. Chu King Wang, Peleus, an INED, (i) resigned as an executive director of Momentum Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1152) on 25 March 2022; and (ii) resigned as an independent non-executive director of Peking University Resources (Holdings) Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 618) on 1 October 2022.

RE-ELECTION OF DIRECTORS

According to Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. According to Article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. Dr. Wilson Sea, an executive Director and Mr. Chu Kin Wang, Peleus, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 23 June 2022 and both were re-elected. Dr. Zhu Huanqiang, an executive Director and Dr. Du Xiaotang, an INED, will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

PROFILES OF DIRECTORS

Profiles of the Directors are set out in the Profiles of Directors and Senior Management of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs, namely Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in Shares

Name	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Wilson Sea	Interest of controlled corporation	163,765,800	9.51%

Note: These Shares are held by Wealth Max. Dr. Wilson Sea is the sole beneficial owner of Wealth Max and hence is deemed to be interested in all the Shares held by Wealth Max under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

For the 2022 Financial Year, none of the Directors or the chief executives of the Company (including their respective spouse and/or children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, warrants or debentures (if applicable) of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following persons (other than the Directors or the chief executives of the Company whose interests are disclosed above) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in Shares

Name	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares[11]
Wealth Max[1]	Beneficial owner	163,765,800[3]	9.51%
Wang Lily[2]	Interest of spouse	163,765,800[3]	9.51%
Chuang Yue[4]	Beneficial owner	133,340,000	7.74%
	Person having a security interest in shares	133,340,000	7.74%
		266,680,000[5]	15.48%
Shenmane.D Co., Limited[4]	Interest of controlled corporation	266,680,000[5]	15.48%
Golden Cloud Co., Limited[4]	Interest of controlled corporation	266,680,000[5]	15.48%
Liu Kun[4]	Interest of controlled corporation	266,680,000[5]	15.48%
Sze Ka Wo[6]	Other	133,340,000	7.74%
Champion Sense[7]	Beneficial owner	3,470,744,681	201.47%
	Person having a security interest in shares	385,999,574	22.41%
		3,856,744,255[8]	223.88%
Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司) ("**Huarong Huaqiao**")[7]	Interest of controlled corporation	3,856,744,255[8]	223.88%
China Huarong Asset Management Co., Ltd. ("**China Huarong**")[7]	Interest of controlled corporation	3,856,744,255[8]	223.88%
Principal Global Investment Limited ("**Principal Global**")[9]	Beneficial owner	3,723,404,254[10]	216.14%
Guo Ce[9]	Interest of controlled corporation	3,723,404,254[10]	216.14%

Notes:

1. Wealth Max is owned as to 100% by Dr. Wilson Sea.

2. Ms. Wang Lily is the spouse of Dr. Wilson Sea. Thus, Ms. Wang Lily is deemed to be interested in all the Shares in which Dr. Wilson Sea is interested and/or deemed to be interested under the SFO.

3. The interests of Wealth Max, Ms. Wang Lily and Dr. Wilson Sea related to the same parcel of Shares.

4. On 31 December 2022, (i) 133,340,000 Shares were held by Chuang Yue; and (ii) 133,340,000 Shares held by Wealth Max have been charged in favour of Chuang Yue.

   Chuang Yue is owned as to 100% by Shenmane.D Co., Limited, which in turn is owned as to 100% by Golden Cloud Co., Limited, and which in turn is owned as to 100% by Mr. Liu Kun. Thus, Shenmane.D Co., Limited, Golden Cloud Co., Limited and Mr. Liu Kun are deemed to be interested in all the Shares held by Chuang Yue under the SFO.

5. The interests of Chuang Yue, Shenmane.D Co., Limited, Golden Cloud Co., Limited and Mr. Liu Kun related to the same parcel of Shares.

6. On 25 May 2020, Mr. Sze Ka Wo was appointed as receiver over 133,340,000 Shares. These Shares are held in his capacity as receiver.

7. As at 31 December 2022, (i) Champion Sense held the Convertible Bonds in the principal amount of HK$652,500,000, of which upon full exercise of conversion rights of the Convertible Bonds, 3,470,744,681 Shares will be issued; (ii) Convertible Bonds in the principal amount of HK$47,500,000 held by Principal Global have been charged in favour of Champion Sense, of which upon full exercise of conversion rights of the Convertible Bonds, 252,659,574 Shares will be issued; and (iii)133,340,000 Shares held by Chuang Yue have been charged in favour of Champion Sense.

   Champion Sense is indirectly owned as to 100% by Huarong Huaqiao, which is in turn indirectly owned as to 91% by China Huarong. Thus, Huarong Huaqiao and China Huarong are deemed to be interested in all the interest held by Champion Sense under the SFO.

8. The interests of Champion Sense, Huarong Huaqiao and China Huarong related to the same parcel of Shares.

9. As at 31 December 2022, (i) Principal Global held the Convertible Bonds in the principal amount of HK$47,500,000, of which upon full exercise of conversion rights of the Convertible Bonds, 252,659,574 Shares will be issued; and (ii) pursuant to the convertible bonds purchase agreement entered into between Principal Global and Champion Sense on 13 January 2022, Convertible Bonds in the principal amount of HK$652,500,000 held by Champion Sense will be sold to Principal Global, of which upon full exercise of conversion rights of the Convertible Bonds, 3,470,744,681 Shares will be issued.

   Principal Global is owned as to 43% by Mr. Guo Ce. Thus, Mr. Guo Ce is deemed to be interested in all the interests held by Principal Global under the SFO.

10. The interests of Principal Global and Mr. Guo Ce related to the same parcel of Shares.

11. Based on 1,722,660,000 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, no other person had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

According to Article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time for the 2022 Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTEREST

None of the Directors had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such Directors have or may have with the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

For the 2022 Financial Year, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly. There is no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries for the 2022 Financial Year.

CONNECTED TRANSACTION

For the 2022 Financial Year, save as disclosed in this annual report, the Group had no connected transaction and continuing connected transaction which were not exempted under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The definitions of connected person and connected transaction under Chapter 14A of the Listing Rules are different from the definition of related party and relevant disclosure requirements under Hong Kong Accounting Standard 24 *Related Party Disclosures* and the interpretations of the HKICPA.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company. Details of the service contracts mainly include: (i) a term of directorship for three years with effect from the date of appointment or re-election; and (ii) the contracts shall be terminated according to the terms of each contract.

Each of the INEDs had signed a letter of appointment with the Company. Details of the letters of appointment mainly include: (i) a term of directorship for three years with effect from the date of appointment or re-election; and (ii) the contracts shall be terminated according to the terms of each contract.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

Details of the emoluments of each Director for the 2022 Financial Year is set out in the Notes to the Consolidated Financial Statements of this annual report.

REMUNERATION POLICY

As at 31 December 2022, the Group had 1,752 employees (31 December 2021: 1,788 employees). For the 2022 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB180.3 million (2021: approximately RMB174.2 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external training courses. Share options and/or awarded shares may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

The remuneration of the senior management of the Company, including the executive Directors, for the 2022 Financial Year by remuneration band is set out below:

Remuneration band (HK$'000)	Number of individuals
0 to 500	2
501 to 1,000	4
1,001 to 1,500	0
1,501 to 2,000	1
2,001 to 2,500	1

RETIREMENT SCHEME

The Group operates a mandatory provident fund scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. In accordance with the MPF Scheme, each of the employers and employees is required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately. No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the subsidiaries of the Group in the PRC and Singapore participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their employees' salaries to these schemes. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the 2022 Financial Year, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB17.5 million (2021: approximately RMB13.6 million).

MANAGEMENT CONTRACTS

Other than employment contract with employees of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed with any individual, company or body corporate for the 2022 Financial Year by the Group.

CONTRACTUAL ARRANGEMENTS

A. 51% interest of Yinghua School

Information about the operating subsidiaries

Yinghua School is a boarding school providing K-12 education, comprising primary school, middle school and high school, in the PRC. The interest in Yinghua School is held by Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) ("**Jinan Baofei**"). The registered shareholders of Jinan Baofei are Shenzhen Zhuochuang Education Co., Ltd.* (深圳灼創教育有限公司) ("**FC Education**") and Guangzhou Dunshi Technology Co., Ltd.* (廣州頓仕科技有限公司), which held 51% and 49% equity interest in Jinan Baofei, respectively.

Reasons for the contractual arrangements

Under the current laws and regulations of the PRC, foreign investors are prohibited from investing in primary and middle schools in the PRC offering compulsory education for students from grades one to nine. Foreign investments in high school education are also restricted to cooperation with PRC domestic parties who shall play a dominant role in the cooperation. This means that (i) the principal or other chief executive officer of the schools shall be a PRC national; and (ii) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative educational institution.

In light of the aforementioned foreign investment restrictions in the primary and middle schools and high school education business in the PRC, the Group entered into contractual arrangements with Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) ("**Jinan WOFE**"), Jinan Baofei, FC Education and Yinghua School. Through such contractual arrangements, the Group exercises control over Yinghua School and its financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the aforementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Yinghua School and to engage in the business, the Group will exercise the options under the exclusive option agreement as soon as practicable and the structured contracts shall be terminated.

Contractual arrangements in place

The contractual arrangements that were in place as at 1 January 2021 are as follows:

(i) the equity pledge agreement entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall pledge all of its equity interest in Jinan Baofei to Jinan WOFE as security for its performance and/or that of Jinan Baofei under the exclusive option agreement and such other agreements as concluded to supplement the aforementioned agreement.

(ii) the shareholders' entrustment letter and authorisation letter entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall irrevocably authorise Jinan WOFE to act on its behalf in all matters in relation to its equity interest in Jinan Baofei, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.

(iii) the exclusive option agreement entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall grant Jinan WOFE irrevocable option to acquire all or part of its equity interest in Jinan Baofei.

(iv) the business cooperation agreement entered into between Jinan WOFE, Yinghua School and Jinan Baofei, pursuant to which Yinghua School shall engage Jinan WOFE to provide consultancy services to it, including but not limited to daily management operation, staff training, technology support and marketing strategies.

B. 53.3% interest of Xishan Schools

Information about the operating subsidiaries

Xishan Schools include four schools (i.e., Fuqing Xishan, Xishan Vocational School, Jiangxi Xishan and Xishan Education Group* (西山教育集團)) comprising various kindergarten, primary schools, middle schools, high schools and vocational school in the PRC. The four schools are held by Fuqing Guowen Education Management Company Limited* (福清市國文教育管理有限公司) ("**Fujian Company**") and Jinxian Xishan Education Management Company Limited* (進賢縣西山教育管理有限公司) ("**Jiangxi Company**"), respectively, which are in turn held by Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司) ("**Xishan Education**", together with Xishan Schools, Fujian Company and Jiangxi Company, the "**Xishan Group**"). The registered shareholders of Xishan Education are FC Education, Mr. Zhang Wenbin and Mr. Lin Bingguo, which held 53.3%, 23.35% and 23.35% equity interest in Xishan Education, respectively.

Reasons for the contractual arrangements

Under the current laws and regulations of the PRC, foreign investors are prohibited from investing in primary and middle schools in the PRC offering compulsory education for students from grades one to nine. Foreign investments in pre-school education and high school education are also restricted to cooperation with PRC domestic parties who shall play a dominant role in the cooperation. This means that (i) the principal or other chief executive officer of the schools shall be a PRC national; and (ii) the representative of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative educational institution.

In light of the aforementioned foreign investment restrictions in the primary and middle schools and pre-school and high school education business in the PRC, the Group entered into contractual arrangements with Fuzhou Quanyue Education Consulting Company Limited* (福州全悦教育諮詢有限公司) ("**Fuzhou WOFE**"), Xishan Education, the registered shareholders of Xishan Education, Fujian Company, Jiangxi Company and Xishan Schools. Through such contractual arrangements, the Group exercises control over Xishan Schools and their financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the aforementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Xishan Schools and to engage in the business, the Group will exercise the options under the exclusive option agreements as soon as practicable and the structured contracts shall be terminated.

Contractual arrangements in place

The contractual arrangements that were in place as at 1 January 2021 are as follows:

(i) the equity pledge agreements entered into among Fuzhou WOFE, Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall pledge all of their respective equity interests in Xishan Education to Fuzhou WOFE as security for their performance and/or that of Xishan Education under the exclusive option agreements and such other agreements as concluded to supplement the aforementioned agreements.

(ii) the shareholders' entrustment letters and authorisation letters entered into among Fuzhou WOFE, Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall irrevocably authorise Fuzhou WOFE to act on their behalf in all matters in relation to their respective equity interests in Xishan Education, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.

(iii) the exclusive option agreements entered into among Fuzhou WOFE, Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall grant Fuzhou WOFE irrevocable options to acquire all or part of their respective equity interests in Xishan Education.

(iv) the equity pledge agreements entered into among Fuzhou WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall pledge all of its respective equity interests in Fujian Company and Jiangxi Company to Fuzhou WOFE as security for its performance and/or that of Fujian Company and Jiangxi Company under the exclusive option agreements and such other agreements as concluded to supplement the aforementioned agreements.

(v) the shareholders' entrustment letters and authorisation letters entered into among Fuzhou WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall irrevocably authorise Fuzhou WOFE to act on its behalf in all matters in relation to its respective equity interests in Fujian Company and Jiangxi Company, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.

(vi) the exclusive option agreements entered into among Fuzhou WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall grant Fuzhou WOFE irrevocable options to acquire all or part of its respective equity interests in Fujian Company and Jiangxi Company.

(vii) the service agreement entered into between Fuzhou WOFE and Xishan Group, pursuant to which Xishan Group shall engage Fuzhou WOFE to provide consultancy services to them, including but not limited to daily management operation, staff training, technology support and marketing strategies.

C. The Impact of the Implementation Regulations

The State Council of the PRC promulgated the Implementation Regulations on 14 May 2021, which became effective on 1 September 2021. The Implementation Regulations prohibited controlling private schools that implement compulsory education (i.e. primary and middle school education) and non-profit private schools that implement pre-school education (i.e. kindergarten education) by any social organisations and individuals through mergers and acquisitions, agreement control and other ways, and prohibited private schools that implement compulsory education from entering into transactions with stakeholders.

As disclosed above, the Group entered into contractual arrangements for the control and operations of (i) the Xishan Schools, Jinxian Xishan Youth football Club* (進賢縣西山青少年足球俱樂部), Fujian Company, Jiangxi Company and Xishan Education) and (ii) Yinghua School and Jinan Baofei (collectively, the "**Affected Entities**").

Xishan Schools are principally engaged in the provision of pre-school, primary, middle, high school and vocational education services. The pre-school and high school education service are provided in conjunction with the compulsory education in one entity while the vocational education service is provided in conjunction with the compulsory education school as an integral part using the same campus, facilities and teaching resources. The segregation of the vocational education service from other operations is not feasible in light of its existing conditions. Yinghua School is principally engaged in the provision of primary, middle and high school education services. The high school education service is provided in conjunction with the compulsory education in one entity.

The PRC legal advisor of the Company (the "**PRC Legal Advisers**"), Han Kun Law Offices, consulted the relevant government authorities in the PRC, and the consulted officials confirmed that, from 1 September 2021, the contractual arrangements related to provision of compulsory education and non-profit pre-school education constituted "controlling private schools that implement compulsory education and non-profit private schools that implement pre-school education through agreement control" as stipulated in the Implementation Regulations, which violated the relevant provisions of the Implementation Regulations and shall not be legally enforceable. The PRC Legal Advisers are of the view that the consulted authorities are the competent authorities to give the above confirmation.

The compulsory education schools and non-profit pre-schools of Xishan Schools and Yinghua School are subject to the Implementation Regulations and, thus, the contractual arrangements are considered not enforceable with effect from 1 September 2021. There are significant uncertainties and restrictions on the Group's control over the Affected Entities (including the school sponsors, the related holding company and the related entities operating in conjunction with the compulsory education schools). Based on the foregoing, the Board is of the view that (i) the Group lost control over the Affected Entities at the end of 31 August 2021, (ii) the Affected Entities were deconsolidated from the consolidated financial statements of the Company starting from 1 September 2021, and (iii) all the assets and liabilities of the Affected Entities as of 31 August 2021 and the income and profits derived from the Affected Entities after 1 September 2021 would not belong to the Group.

The Implementation Regulations have an impact on the financial position of the Group. However, the operation of the remaining businesses of the Group (being financial services business, education management and consultation business and automotive parts business) maintains usual business operation and are not affected by the Implementation Regulations. The Company will continue to closely monitor the development of the Implementation Regulations, including the implementation policies and requirements formulated by the local governments of where the Affected Entities locate and the competent authorities of business in accordance with the Implementation Regulations and local conditions, and evaluate their impact on the Group and the Contract Arrangements. The Company will make further announcement(s) in due course to update the Shareholders and potential investors of the Company of any further development of the Implementation Regulations relating to the business of the Affected Entities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the policy of the Group to promote clean operation. The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. A separate ESG report is published on the websites of the Stock Exchange and the Company upon publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the 2022 Financial Year, the Group's business and operation were mainly carried out by the subsidiaries of the Company in the PRC and Hong Kong. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2022, save as disclosed below, to the best of the knowledge and belief of the Directors, the Group had not been involved in any significant legal proceedings or arbitration and there are no significant legal proceedings or claims pending or threatened against the Group.

On 28 September 2020, a winding-up petition (the "**Petition**") was presented by Champion Sense to the High Court for the winding up of the Company in relation to the outstanding principal of the Convertible Bonds and the then accrued interest in an aggregate amount of HK$863,406,849.32. The Petition was dismissed on 21 February 2022. For further information, please refer to the announcements of the Company dated 30 September 2020, 23 December 2020, 28 December 2020, 8 February 2021, 16 April 2021, 14 July 2021, 15 October 2021, 14 January 2022 and 21 February 2022.

AUDITOR

Linksfield is the Auditor. Deloitte Touche Tohmatsu resigned as the Auditor with effect from 23 December 2020. The Board resolved to appoint Linksfield as the new Auditor with effect from 23 December 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. Linksfield has audited the consolidated financial statements of the Group for the 2022 Financial Year and it does not express an opinion on such consolidated financial statements. For further information, please refer to the Independent Auditor's Report of this annual report.

A resolution to re-appoint Linksfield as the Auditor was approved by the Shareholders at the AGM held on 23 June 2022. According to the Articles of Association, Linksfield shall hold office until the conclusion of the next AGM. A resolution to re-appoint Linksfield as the Auditor will be proposed for approval by the Shareholders at the forthcoming AGM.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Audit Committee has reviewed the Group's audited consolidated financial statements and annual results for the 2022 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Friday, 9 June 2023. Notice of the forthcoming AGM will be published and despatched to the Shareholders in accordance with the Articles of Association and the Listing Rules as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2023, for registration.

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

The annual report of the Company for the 2022 Financial Year, in both English and Chinese versions, will be despatched to the Shareholders according to their choice of means of receipt and language of Corporate Communications, and will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk in due course.

Shareholders who have chosen (or are deemed to have consented) to access the Corporate Communications (including this annual report) by electronic means but for any reason have difficulty in receiving or gaining access to this annual report, the Company or the Hong Kong Branch Share Registrar will, upon their written request, send this annual report to them in printed form free of charge.

Shareholders are entitled at any time by reasonable notice in writing to the Company c/o the Hong Kong Branch Share Registrar to change their choice of means of receipt and/or language of future Corporate Communications.

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, as well as the continuous support from the Shareholders, loyal customers, the government, business partners and professional advisers

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

Hong Kong
29 March 2023

Corporate Governance Report

The Board is committed to promoting good corporate governance practises to safeguard the interests of the Shareholders and to enhance the Group's performance. The Group believes that conducting its businesses in an open and responsible manner and following good corporate governance practises serve its long-term interests and those of its Shareholders.

CORPORATE GOVERNANCE PRACTISES

For the 2022 Financial Year and up to the date of this annual report, the Company has complied with 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. None of the Directors is aware of any information which would reasonably indicate that the Company has not been in compliance with the Corporate Governance Code for the 2022 Financial Year and up to the date of this annual report.

The Board as a whole is responsible for performing the corporate governance duties set out in the Corporate Governance Code. The Board reviews at least annually the corporate governance practises of the Company to ensure its continuous compliance with the Corporate Governance Code and make appropriate changes if considered necessary. For the 2022 Financial Year, the Board had performed the corporate governance duties set out in the Corporate Governance Code.

DIRECTORS

The overall management of the business of the Group is delegated to the Board. The Board is responsible for the formulation of strategic, management and financial objectives of the Group and satisfies itself that these and the Group's culture are aligned. All the Directors must act with integrity, lead by example, promote the desired culture and continually reinforce the values of acting lawfully, ethically and responsibly, ensuring that the interest of the Shareholders, including those minority Shareholders, are protected.

Daily operations and administration of the Group are delegated to the executive Directors and the management of the Company. The Company has arranged directors and officers liability insurance in respect of any legal actions which may be taken against the Directors and officers of the Company in execution and discharge of their duties or in relation thereto.

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs, representing at least one-third of the Board and with at least one of them having appropriate professional qualifications or accounting or related financial management expertise throughout the 2022 Financial Year.

Mr. Chu Kin Wang, Peleus is currently an independent non-executive director of six listed companies, inclusive of the Company. The Board believes that Mr. Chu Kin Wang, Peleus will still be able to devote sufficient time to perform his duties as a Director in the future, as he does not participate in the daily operation of the Group and has actively participated in the meetings of the Board and various committees of the Company in the past. Mr. Chu Kin Wang, Peleus has served the Board for more than nine years since 19 October 2011. As he is not actively involved in the daily operation of the Group nor has he any direct or indirect interest in the Company, the Board considers that, though Mr. Chu Kin Wang, Peleus has served as an INED for more than nine years, there are not any factors that may affect his independence as an INED.

The Company has received annual written confirmations from Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan, INEDs, of their independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent of the management of the Company and free of any relationship that could materially interfere with the exercise of their independent judgement.

Appointment and Re-election of Directors

The Board is authorised under the Articles of Association from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Suitable candidates who are experienced and competent and able to fulfil the fiduciary duties and duties of skill, care and diligence would be recommended to the Board.

Each of the executive Directors was appointed for an initial term of three years and each service contract shall automatically be renewed after expiry and continue thereafter until terminated by either party giving to the other not less than three months' prior notice in writing. Each of the INEDs was appointed for an initial term of three years and each letter of appointment shall automatically be renewed after expiry and continue thereafter until terminated by either party giving to the other not less than three months' prior notice in writing. All the Directors are subject to retirement by rotation and are eligible for re-election pursuant to the Articles of Association.

Pursuant to the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. At each AGM, one-third of the Directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors appointed by the Board who are subject to retirement and re-election as mentioned above shall be taken into account in calculating the total number of the Directors for the time being but shall not be taken into account in calculating the number of the Directors who are to retire by rotation. All the Directors who are eligible for re-election shall have their biographical details made available to the Shareholders to enable the Shareholders to make an informed decision on their re-election. Any appointment, resignation, removal or re-designation of the Directors shall be timely disclosed to the Shareholders by announcement and shall include the reasons given by the Director for his resignation in such announcement.

Dr. Wilson Sea, an executive Director and Mr. Chu Kin Wang, Peleus, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 23 June 2022 and both were re-elected.

Responsibilities of Directors

The Company and the Board require each Director to understand his responsibilities as a Director and the business, operation and development of the Group. Every Director is required to devote sufficient time and involvement in the affairs of the Board and the material matters of the Group and to serve the Board with such degree of care and due diligence given his own expertise, qualification and professionalism.

Each executive Director is responsible for the management of different functions of the business of the Group. The INEDs attend the Board meetings and give their opinions on the business strategy of the Group and review the financial and operation performance of the Group. The INEDs also serve the relevant function of bringing independent judgement on strategic direction, development, performance and risk management of the Group. The INEDs are a majority of members of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Compliance with the Model Code

The Company has adopted 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 the Directors had complied with the required standards set out in the Model Code for the 2022 Financial Year.

The Company has also adopted the Model Code as the code of conduct for securities transactions by relevant employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries or the holding companies who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities. Having made specific enquiries to the relevant employees, they have confirmed their compliance with the required standards set out in the Model Code for the 2022 Financial Year.

THE BOARD

The Board currently comprises the executive Directors and INEDs. As at the date of this annual report, the composition of the Board and Board committees are as follows:

Directors	Board Committees Audit Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Risk Management Committee
Executive Directors					
Dr. Wilson SEA *(Chairman)*		C		C	C
Mr. ZHAO Zhijun *(Co-CEO)*			M	M	
Dr. ZHU Huanqiang *(Co-CEO)*				M	M
Independent Non-Executive Directors					
Mr. CHU Kin Wang, Peleus	C	M	M		M
Dr. DU Xiaotang	M		C		
Mr. LOO Cheng Guan	M	M		M	

Notes:

C – chairman M – member

Profiles of the Directors are set out in the Profiles of Directors and Senior Management of this annual report and are published on the website of the Company. The number and nature of offices held by Directors in other public companies or organisations and other significant commitments, are set out in the Profiles of Directors. The Board members have no financial, business, family or other material/relevant relationship with each other.

The Board believes that the composition of the executive and non-executive Directors (including INEDs) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. The non-executive Directors are of sufficient calibre and members, provide the Group with diversified expertise and experience. Their participation in the Board and Board committee meetings bring independent judgement and views on issues relating to the Group's strategies, performance, conflicts of interest and management process. One of the INEDs, Mr. Chu Kin Wang, Peleus, has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

The Company provides briefings and other trainings to develop and refresh the Directors' knowledge and skills. The Company together with its legal adviser, continuously update the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure that they are aware of their responsibilities under the applicable laws and regulation, and enhance their awareness of good corporate governance practices. For the 2022 Financial Year, the Company provided training material to all the Directors (being Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang, Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan) covering various topics relating to the Listing Rules and the SFO. All the Directors received adequate directors' training.

For the 2022 Financial Year, the Board also (i) reviewed and monitored the Company's policies and practises on corporate governance and made recommendations; (ii) reviewed and monitored the Company's policies and practises on internal control and risk management; (iii) reviewed and monitored the training and continuous professional development of the Directors and senior management of the Company; (iv) reviewed and monitored the implementation and effectiveness of policy on Board diversity and the mechanism for the Directors to achieve independent views and opinions; (v) reviewed and monitored the implementation and effectiveness of Shareholders' communication policy; (vi) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (vii) reviewed and monitored the code of conduct applicable to the Directors and employees; and (viii) reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

Board Meetings

The Board meets at least four times a year regularly and additional meetings will be convened when deemed necessary by the Board. Notices of regular Board meetings will be served to all the Directors at least 14 days before the meeting. For all other Board meetings, reasonable notice period will be given.

Notices and agendas of the Board meetings are prepared by the Company Secretary and/or the senior management of the Company as delegated by the Chairman. All the Directors are given the opportunity to submit any matters which they believe to be appropriate in the agenda of the Board meetings. Agenda and relevant documents of the Board meetings with adequate background information and supporting analysis are made available to the Directors at least three days before the intended date of the Board meeting. All the Directors are given separate and independent access to the Company Secretary and/or the senior management of the Company for further information and enquiries. The Company Secretary and/or the senior management of the Company will provide the Board and Board committees with advice on corporate governance, statutory compliance and financial matters.

Any material matters that would have conflicts of interest between the Directors/Substantial Shareholders and the Company will be dealt with at the Board meetings. Pursuant to the Articles of Association, a Director is not entitled to vote on (nor is counted in the quorum) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his associates (including any person who would be deemed to be an "associate" of the Directors under the Listing Rules) has any material interest, except under certain special circumstances. The chairman of the Board meeting is required to ensure that each Director is aware of such requirement at each Board meeting and their responsibilities in making proper declaration of interest at the Board meeting when conflicts of interest arise.

The Directors have access to the advice and services of the Company Secretary and/or the relevant officers of the Company in relation to the Board procedures. Draft minutes of Board/Board committee meetings shall record in sufficient detail the matters considered by the participants of such meetings and decisions reached and then be forwarded to the participants for comments within a reasonable time after the meetings. The final versions of minutes of Board/Board committee meetings are kept by the Company Secretary, which are open for inspection by any of the Directors at any reasonable time on reasonable notice.

Directors are provided with complete, adequate and timely information to allow them to fulfil their duties properly. The Directors may seek independent views and professional advice at the Company's expense, if necessary, with the approval of the Board.

BOARD COMMITTEES

The Board has established five Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Strategy Committee and the Risk Management Committee, to assist the Board for overseeing particular aspects of the Group's affairs. The Board is responsible for determining the policy for the corporate governance of the Company and the terms of reference/duties of the Board/Board committees. The terms of reference setting out the principles, procedures and arrangements of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee are available on the websites of the Stock Exchange and the Company. The Board committees report to the Board their decisions and recommendations at the Board meetings.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Audit Committee

The Company established the Audit Committee pursuant to Rules 3.21 and 3.22 of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the requirements of the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the Audit Committee comprises three INEDs, namely Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan, and Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee.

The Audit Committee is responsible for, among others, (i) the relationship with the Auditor; (ii) reviewing the Group's financial information; and (iii) reviewing and supervising the effectiveness of the Group's financial reporting systems and internal control systems.

The Audit Committee holds meetings at least twice a year. For the 2022 Financial Year, three meetings of the Audit Committee were held. The Audit Committee has reviewed the Group's interim results, the annual results and the audited consolidated financial statements for the 2022 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group. The Audit Committee has reviewed the effectiveness of the Group's financial control and internal control system as well as the internal audit function. The Audit Committee has also reviewed the independence and objectivity of the Auditor and the effectiveness of audit process. The Audit Committee has recommended to the Board on the re-appointment of Linksfield as the Auditor for the coming year and the related resolution shall be put forth at the forthcoming AGM.

For the 2022 Financial Year, the Auditor provided annual audit service. The total fees paid/payable in respect of the audit service amounted to approximately RMB2.0 million.

Nomination Committee

The Company established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the Nomination Committee comprises an executive Director and the Chairman, Dr. Wilson Sea, and two INEDs, namely Mr. Chu Kin Wang, Peleus and Mr. Loo Cheng Guan, and Dr. Wilson Sea is the chairman of the Nomination Committee.

The Nomination Committee is responsible for, among others, (i) formulating policy for the nomination of the Directors; (ii) identifying individuals suitably qualified to become members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (iii) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors.

The Nomination Committee holds a meeting at least once a year. For the 2022 Financial Year, one meeting of the Nomination Committee were held. The Nomination Committee has reviewed the nomination process of individuals for directorship after considering different criteria including appropriate professional knowledge and industry experience and the nomination procedures in general. The Nomination Committee has also assessed the independence of all the INEDs, namely Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan, reviewed the size, structure and composition of the Board and recommended to the Board the Directors who will retire and, being eligible, offer themselves for re-election at the AGM.

Remuneration Committee

The Company established the Remuneration Committee pursuant to Rules 3.25 and 3.26 of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the Remuneration Committee comprises an executive Director, Mr. Zhao Zhijun, and two INEDs, namely Dr. Du Xiaotang and Mr. Chu Kin Wang, Peleus, and Dr. Du Xiaotang is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for, among others, (i) making recommendations to the Board on the policy and structure of remuneration packages for the Directors and senior management of the Company; (ii) ensuring that no Directors or any of their associates are involved in deciding that Director's own remuneration; and (iii) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, including the adoption of the Share Award Scheme.

The Remuneration Committee holds a meeting at least once a year. For the 2022 Financial Year, one meeting of the Remuneration Committee were held. The Remuneration Committee has reviewed and determined the policy and structure of remuneration for the executive Directors and senior management of the Company, assessed their performance and reviewed and/or approved matters relating to share schemes under Chapter 17 of the Listing Rules. The Directors' remuneration shall from time to time be determined by the Board with reference to their duties and responsibilities and subject to a review by the Remuneration Committee. Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

Strategy Committee

The Company established the Strategy Committee on 28 March 2013, with written terms of reference published on the website of the Company. As at the date of this annual report, the Strategy Committee comprises three executive Directors, namely Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang and an INED, Mr. Loo Cheng Guan, and Dr. Wilson Sea is the chairman of the Strategy Committee.

The Strategy Committee aimed to adapt the needs of the strategic development of the Group, ensure the development plans, enhance the core competitiveness, optimise the governance structure, strengthen the scientific decision-making and uplift the efficiency and quality of investment decisions.

The Strategy Committee holds a meeting at least once a year. For the 2022 Financial Year, one meeting of the Strategy Committee was held. The Strategy Committee has reviewed the overall strategy and development plan of the Group.

Risk Management Committee

The Company established the Risk Management Committee on 31 December 2015, with written terms of reference published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the Risk Management Committee comprises two executive Directors, namely Dr. Wilson Sea, Dr. Zhu Huanqiang and an INED, Mr. Chu Kin Wang, Peleus, and Dr. Wilson Sea is the chairman of the Risk Management Committee.

The Risk Management Committee is responsible for assisting the Board in (i) deciding the risk level and risk appetite of the Group; and (ii) considering the Group's risk management, internal control systems, ESG strategies and giving directions where appropriate.

The Risk Management Committee holds a meeting at least once a year. For the 2022 Financial Year, one meeting of the Risk Management Committee was held. The Risk Management Committee has reviewed the policies, guidelines and effectiveness of the work on risk management, internal control systems and ESG of the Group. The Risk Management Committee has also reviewed the training and continuous professional development of the Directors and senior management of the Company.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of the Directors at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Strategy Committee, the Risk Management Committee, the Chairman and INEDs meetings and the general meetings for the 2022 Financial Year are set out in the following table:

	Meetings attended/Meetings held							
Directors	**Board meeting(s)**	**Audit Committee meeting(s)**	**Nomination Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Strategy Committee meeting(s)**	**Risk Management Committee meeting(s)**	**Chairman and INEDs meeting(s)**	**General meeting(s)**
Executive Directors								
Dr. Wilson SEA *(Chairman)*	4/4	N/A	1/1	N/A	1/1	1/1	1/1	2/2
Mr. ZHAO Zhijun *(Co-CEO)*	4/4	N/A	N/A	1/1	1/1	N/A	N/A	2/2
Dr. ZHU Huanqiang *(Co-CEO)*	4/4	N/A	N/A	N/A	1/1	1/1	N/A	2/2
Independent Non-Executive Directors								
Mr. CHU Kin Wang, Peleus	4/4	3/3	1/1	1/1	N/A	1/1	1/1	2/2
Dr. DU Xiaotang	4/4	3/3	N/A	1/1	N/A	N/A	1/1	2/2
Mr. LOO Cheng Guan	4/4	3/3	1/1	N/A	1/1	N/A	1/1	2/2

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

To ensure a balance of power and authority, the roles of the Chairman and the Co-CEO are segregated and not exercised by the same individual.

The Board is led by the Chairman, Dr. Wilson Sea. He is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. With the support of the Company Secretary and the senior management of the Company, the Chairman is committed to ensuring that all Directors are properly briefed on issues to be proposed at the Board meetings and provided with adequate and reliable information in a timely manner. The Chairman at least annually holds meetings with the INEDs without the presence of other Directors to promote the effective contribution of the INEDs in particular and ensure constructive relations between the executive and independent non-executive Directors.

The two Co-CEOs, Mr. Zhao Zhijun and Dr. Zhu Huanqiang, are respectively responsible for the development, operations and management of different business segments of the Group. In particular, Mr. Zhao Zhijun focuses on developing and managing the automotive parts business of the Group while Dr. Zhu Huanqiang focuses on developing and managing the financial services business and education management and consultation business of the Group.

COMPANY SECRETARY

The Company has appointed Mr. Chan Kwok Kee, Andy as the Company Secretary and Authorised Representative, and Mr. Chan is responsible for all the secretarial services. Mr. Chan confirmed that he took not less than 15 hours of relevant professional training for the 2022 Financial Year.

MANAGEMENT FUNCTION

The Articles of Association set out matters which are specifically reserved to the Board for its decision. In principal, the executive Directors constantly meet and participate in management meetings of the Company on a regular basis to keep abreast of the latest operations and performance of the Group and to monitor and ensure that the management of the Company carries out the directions and strategies set by the Board correctly and appropriately.

DIVERSITY POLICY AND MEASURES

The Company is committed to ensure an appropriate balance in the diversity of skills, experience and perspectives and angles of the Board members so as to support the execution of business strategies and efficient operation of the Board. The Company has formulated a director nomination policy. The Nomination Committee is responsible for identifying candidates suitably qualified to become members of the Board and it may select candidates nominated for directorship. When formulating a recommendation to the Board for appointment of a Director (including an INED), the Nomination Committee shall consider various criteria in evaluating and selecting candidates for directorships, including, among others, (i) character, integrity and reputation, (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Group's business and corporate strategy, (iii) willingness to devote adequate time to discharge duties as a member of the Board and other directorships and significant commitments, (iv) the number of existing directorships and other commitments that may demand the attention of the candidates, (v) the requirement for the Board to have INEDs in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the requirements under the Listing Rules, (vi) the board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board, which including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and terms of service, and (vii) such other perspective appropriate to the Group's business.

The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board and the Nomination Committee will review the Board composition from time to time taking into account specific needs for the Group's business. The Company is committed to improving the diversity of the Board based on its needs and as and when suitable candidates are identified. The Board will introduce one or more female members by 31 December 2024. There are currently at least two female members among the senior management of the Company. The Board believes that there exists a pipeline of potential successors to the Board to achieve gender diversity.

As at 31 December 2022, female members accounted for approximately 33.5% of all employees (including senior management) of the Group. Based on the principle of talent orientation and in accordance with the business mode and specific up-to-date needs of the Group, and taking full account of the benefits of employee gender diversity, the Company reviews the gender ratio from time to time to achieve the good balance in employee gender diversity.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the Group's financial statements for the 2022 Financial Year which give a true and fair view of the financial position of the Group and in accordance with the statutory requirements and applicable accounting standards. The Company's annual report is prepared and published in accordance with the Listing Rules and the Hong Kong Financial Reporting Standards in a timely manner. The Directors are provided with adequate information to enable them to make an informed assessment of financial and other information on matters for their approval.

The statement prepared by the Auditor regarding its reporting responsibility to the Shareholders on the financial statements of the Group is set out in the Independent Auditor's Report of this annual report.

Risk management and internal control

The Group has established a risk management and internal control framework, which consists of the Board, the Audit Committee, the Risk Management Committee and the senior management of the Company. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and overseeing the management of the Group in design, implementation and monitoring of the risk management and internal control systems.

The main features of the Group's risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate risk management of the Group's business operations. The Board has from time to time reviewed the effectiveness of the risk management and internal control systems in order to ensure that they meet with the dynamic and ever-changing business environment. The Board reviews the risk management and internal control systems at least once a year. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has formulated and adopted risk management policy in providing direction in effectively identifying, evaluating and managing significant risks. The management of the Group at least once a year identifies risks that would adversely affect the achievement of the Group's business objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans are established and risk responsible persons are appointed for those significant risks.

The Group has set up an internal audit function to assist the Board, the Audit Committee and the Risk Management Committee to monitor the Group's risk management and internal control systems continuously, identify the deficiencies in the design and implementation of internal controls and propose recommendations for improvement. Significant internal control deficiencies will be reported to the Audit Committee and the Board on a timely basis to ensure that prompt remediation actions are taken.

The Board had, through the Audit Committee and Risk Management Committee, performed annual review on the effectiveness of the Group's risk management and internal control systems for the 2022 Financial Year, covering all material controls such as financial, operational and compliance controls, including but not limited to the changes in the nature and extent of significant risks (including ESG risks), the Group's ability to respond to changes in its business and the external environment, the scope and quality of the ongoing monitoring of risks (including ESG risks) and the internal control systems by the Group's management, the extent and frequency of communication of monitoring results to the Board, significant control failings or weaknesses identified during the period and their impacts, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. When the Board performed annual review, it also ensured the adequacy of the resources, staff qualifications and experiences, training programmes and budget of the Group's accounting, internal audit, financial reporting function as well as those relating to the Group's ESG performance and reporting. The Board considers that the Group's existing risk management and internal control systems are effective and adequate.

Directors' Responsibility Statement

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the Shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the executive Directors.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced on a timely basis.

Procedures and internal controls for the handling and dissemination of inside information

Complying with the requirements of the SFO and the Listing Rules, the Company discloses the information to the public as soon as reasonably practicable after any inside information has come to its knowledge unless the information falls within any of the "Safe Harbours" as provided in the SFO. Before the information is fully disclosed to the public, the Company will ensure that the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, in view of presenting information in a clear and balanced manner, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

Procedures for convening EGMs and putting forward proposals at general meetings

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Requisitionist(s)**") shall at all times have the right, by written requisition (the "**Requisition**") to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be lodged with the Company's principal place of business in Hong Kong at Room 702, 7/F, Fu Fai Commercial Centre, 27 Hillier Street, Sheung

Wan, Hong Kong. The EGM shall be held within two months after the deposit of the Requisition. If the Board fails to proceed to convene the EGM within 21 days after the deposit of the Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to raise enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the Company's principal place of business in Hong Kong at Room 702, 7/F, Fu Fai Commercial Centre, 27 Hillier Street, Sheung Wan, Hong Kong for handling.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Board recognises the importance of continuing communications with the Shareholders and strives to ensure the timeliness, completeness and accuracy of information disclosure to the Shareholders and to protect the interests of the Shareholders. As a channel to further promote effective communication, the Company has established a website at www.cfcg.com.hk, allowing the Shareholders to access updates on the Company's particulars where the Company's announcements, corporate communications, financial information and other information are posted.

The Board maintains an on-going dialogue with the Shareholders through general meetings of the Company to communicate with the Shareholders. All the Directors (including the Chairman) would attend the general meetings to answer relevant questions from the Shareholders. Separate resolutions are proposed at general meetings on each substantially separate issue. A Shareholder is permitted to appoint any number of proxies to attend and vote in his stead. In accordance with Article 59(1) of the Articles of Association, (i) the notice of AGM would be sent to all the Shareholders not less than 21 clear days and not less than 20 clear business days before the meeting, (ii) the notice of any EGM at which the passing of a special resolution is to be considered would be sent to all the Shareholders not less than 21 clear days and not less than 10 clear business days before the meeting, and (iii) the notice of all other EGMs would be sent to all the Shareholders not less than 14 clear days and not less than 10 clear business days before the meeting.

Other than the communication provided above, when necessary and appropriate, the Company would arrange for the management to meet with Shareholders and stakeholders who wish to seek a better understanding on the Group's business operations. Through the engagement in such meetings, the management is able to solicit and understand their views and feedback which should provide valuable information to the Board.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in 2022 Financial Year and was satisfied with the implementation and effectiveness of the shareholders communication policy.

Voting by poll

Unless otherwise required by the Listing Rules, all resolutions put forward at general meetings will be voted by way of poll pursuant to the Listing Rules. The results of the poll, if any, are published on the websites of the Stock Exchange and the Company.

AMENDMENT ON THE COMPANY'S CONSTITUTIONAL DOCUMENTS

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

ASSESSMENT OF UNCERTAINTIES RELATING TO GOING CONCERN

Multiple Uncertainties Relating to Going Concern

For the year ended 31 December 2022, the Group reported a loss attributable to owners of the Company of approximately RMB421 million. As at 31 December 2022, the Group had accumulated losses and deficit in equity of approximately RMB1,365 million and approximately RMB1,027 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,292 million. As at the same date, the Group's total borrowings and Convertible Bonds (including derivative financial liabilities) amounted to approximately RMB2,286 million, while its bank balances and cash amounted to approximately RMB161 million only. In addition, as at 31 December 2022, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB388 million were in default due to late or overdue payment.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Auditor's Opinion

The Auditor does not express an opinion on the consolidated financial statements of the Group (the "**Disclaimer of Opinion**"). Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report, it is not possible for the Auditor to form an opinion on these consolidated financial statements. In all other respects, in the Auditor's opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. For further information, please refer to the Independent Auditor's Report of this annual report.

The Auditor is of the preliminary view that if the plans and measures as described in the section headed "The Company's Position, View and Assessment" below are fully, properly and effectively implemented in 2023 and if the Company could provide sufficient audit evidence to the Auditor to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2023, the Disclaimer of Opinion would be removed for the year ending 31 December 2023, given that there is no adverse change of the financial position, operations and investments of the Group.

The Company's Position, View and Assessment

The Board noted that the consolidated financial statements of the Company for the year ended 31 December 2022 was modified on the basis for Disclaimer of Opinion essentially due to concern of the Auditor on the going concern of the Group due to multiple uncertainties, which are factual description in nature. The Disclaimer of Opinion has no actual or potential impact on the Company's financial position.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) The terms and conditions of the Convertible Bonds was amended with effect from 16 May 2022 and the maturity date was extended to 15 May 2023. In addition, according to the amendment and restatement agreement of the Convertible Bonds, it can be further extended to 15 May 2024, with written agreements of the holders of the Convertible Bonds. The Group is the currently in active negotiation with the holders of the Convertible Bonds for the extension of the maturity date to 15 May 2024;

(ii) The Group has been actively communicating with its existing lenders of borrowings which were overdue or will be due within twelve months from the date of financial position, to renew of, extend to the dates of repayment, and/or to introduce debt capitalisation plans to these lenders;

(iii) The Group has been actively negotiating new sources of financing, such as banks borrowings, placement, etc.;

(iv) The Group is actively looking for potential buyers for its non-core and non-operating assets so as to increase liquidity efficiency, if necessary; and

(v) The Group continues to strengthen the operation and management of each business unit to increase operational efficiency and take active measures to control administrative costs through various channels including human resources and office space optimisation to generate sufficient cash flow.

In particular, the Company completed settlement agreements with certain creditors to allot and issue consideration Shares to them to settle debts in order to reduce the outstanding debts of the Group. Moreover, the Company entered into the amendment and restatement agreement and the Convertible Bonds reorganisation framework agreement with, among others, the holder of the Convertible Bonds in January 2022 to amend the terms and conditions of the Convertible Bonds and the amendments became effective on 16 May 2022. For details, please refer to the circular of the Company dated 21 April 2022. The reorganisation of Convertible Bonds alleviated pressure of cash flow of the Group.

However, the Disclaimer of Opinion remained unsolved for the year ended 31 December 2022 because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of the Independent Auditor's Report. For example, the current liabilities of the Group exceeded its current assets by approximately RMB1.3 billion. As at 31 December 2022, the Company was in negotiation with the holder of the Convertible Bonds in relation to extension of the maturity date to 15 May 2024 and the agreement on extension has not been reached. In light of the above, the Disclaimer of Opinion remained unsolved for the year ended 31 December 2022.

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. The Company has considered the rationale of the Auditor and understood its reasons, basis and consideration in arriving the Disclaimer of Opinion.

The Company proposed to keep implementing the actions and measures as summarised above. Regarding the extension of maturity date of the Convertible Bonds as mentioned above, the Company has made a request in writing for such extension to the holder of the Convertible Bonds and to the best knowledge and belief of the Directors, the holder is reviewing the request as part of its approval procedure as at the Latest Practicable Date. Moreover, the Company is actively exploring opportunities to capitalise its outstanding debts and will enter into agreement(s) with its debtor(s) in a timely manner to improve the debt position of the Group. The Group also intends to reduce its operating expenses to enhance its financial position. In this regard, the Company will not renew the term of part of its office units in Hong Kong, which would be expired by the end of April 2023. Save as disclosed herein, other measures and actions set out therein are still in the negotiation stage and there is no concrete timeline for implementing the same as at the Latest Practicable Date.

The Company is of the view that the Disclaimer of Opinion may be removed if the following plans and measures are implemented properly and effectively in 2023:

(i) the successful extension of the maturity date of the Convertible Bonds as the Company and the holders of Convertible Bonds may agree;

(ii) the successful negotiations with the lenders of borrowings for the renewal of, extension for and/or restructure of repayment of the outstanding borrowings, including the principals and interests and extension of terms of borrowings for more than 12 months from the reporting period;

(iii) the successful obtaining additional new sources of financing as and when needed;

(iv) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and

(v) the successful managing the Group's operations from time to time to generate sufficient cash flow and maintain sufficient assets to settle all liabilities when they become due;

and provided that the Company could provide sufficient audit evidence to the Auditor to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2023.

The Audit Committee's View

The Audit Committee had reviewed the basis for Disclaimer of Opinion, the Company's position, view and assessment on the Disclaimer of Opinion and plans and measures taken and to be taken by the Company for addressing the basis for Disclaimer of Opinion. The Audit Committee agreed with the Company's position. Moreover, the Audit Committee requested the Company to take all necessary actions to address the effect on the basis for Disclaimer of Opinion to procure no such Disclaimer of Opinion to be made in the future. The Audit Committee has also discussed with the Auditor regarding the financial position of the Group, plans and measures taken and to be taken by the Company, and considered the rationale of the Auditor and understood its reasons, basis and consideration in arriving the Disclaimer of Opinion.

Independent Auditor's Report

LINKSFIELD
CPA LIMITED

TO THE SHAREHOLDERS OF CHINA FIRST CAPITAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China First Capital Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 67 to 189, which comprise:

– the consolidated statement of financial position as at 31 December 2022;

– the consolidated statement of profit or loss and other comprehensive income for the year then ended;

– the consolidated statement of changes in equity for the year then ended;

– the consolidated statement of cash flows for the year then ended; and

– the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 2.1.1 to the consolidated financial statements, the Group reported a loss attributable to owners of the Company of approximately RMB421 million for the year ended 31 December 2022. As at 31 December 2022, the Group had accumulated losses and deficit in equity of approximately RMB1,365 million and RMB1,027 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,292 million. As at the same date, the Group's total borrowings and convertible bonds (including derivative financial liabilities) amounted to approximately RMB2,286 million, while its bank balances and cash amounted to approximately RMB161 million only. In addition, as at 31 December 2022, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB388 million were in default due to late or overdue payment. These conditions, together with other matters described in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024; (ii) the successful negotiations with the lenders of borrowings for the renewal of, extension for and/or restructure of repayment of the outstanding borrowings, including the principals and interests; (iii) the successful obtaining additional new sources of financing as and when needed; (iv) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and (v) the successful managing the Group's operations from time to time to generate sufficient cash flow.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue	5	**1,199,912**	1,093,830
Cost of sales/services		**(997,802)**	(923,539)
Gross profit		**202,110**	170,291
Other income and expenses	7	**45,969**	38,579
Other losses, net	8	**(199,315)**	(865)
Expected credit losses ("**ECL**"), net of reversal		**(16,192)**	(18,919)
Provision for impairment of goodwill		**–**	(275,103)
Provision for impairment of property, plant and equipment		**–**	(104,000)
Selling and distribution expenses		**(55,348)**	(114,636)
Research and development expenditure		**(64,509)**	(59,903)
Administrative expenses		**(136,771)**	(138,086)
Operating losses		**(224,056)**	(502,642)
Finance costs	11	**(198,278)**	(197,445)
Share of results of associates	17(c)	**(1,978)**	(105)
Share of results of joint ventures	18	**(21,361)**	6,601
Impairment losses on interests in joint ventures	18	**(12,862)**	(21,232)
Fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")	22(b)	**(23,423)**	(172,486)
Fair value changes of derivative financial liabilities	31	**62,216**	–
Day one fair value loss on issue of convertible bonds	31	**(167)**	–
Loss before income tax	9	**(419,909)**	(887,309)
Income tax credit	12	**333**	1,711
Loss for the year from continuing operations		**(419,576)**	(885,598)
Discontinued operations			
Loss for the year from discontinuing operations, net of income tax	39	**–**	(216,916)
Loss for the year		**(419,576)**	(1,102,514)
Other comprehensive income/(loss)			
Item that may not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**80,461**	(126,882)
Other comprehensive income/(loss) for the year, net of income tax		**80,461**	(126,882)
Total comprehensive loss for the year		**(339,115)**	(1,229,396)

	Note	2022 RMB'000	2021 RMB'000
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(420,736)**	(798,910)
– Discontinuing operations		**–**	(169,323)
		(420,736)	(968,233)
Non-controlling interests			
– Continuing operations		**1,160**	(86,688)
– Discontinuing operations		**–**	(47,593)
		1,160	(134,281)
		(419,576)	(1,102,514)
Total comprehensive (loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(340,160)**	(930,372)
– Discontinued operations		**–**	(169,324)
		(340,160)	(1,099,696)
Non-controlling interests			
– Continuing operations		**1,045**	(82,108)
– Discontinued operations		**–**	(47,592)
		1,045	(129,700)
		(339,115)	(1,229,396)
Loss per share attributable to owners of the Company (RMB)	14		
Basic loss per share			
– Continuing operations		**(0.28)**	(0.73)
– Discontinued operations		**–**	(0.15)
		(0.28)	(0.88)
Diluted loss per share			
– Continuing operations		**(0.28)**	(0.73)
– Discontinued operations		**–**	(0.15)
		(0.28)	(0.88)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**485,868**	485,158
Right-of-use assets	16(i)	**122,217**	131,501
Interests in associates	17	**4,527**	4,158
Interests in joint ventures	18	**140,444**	224,080
Intangible assets	19	**143,282**	151,334
Other receivables	23	**8,494**	17,763
		904,832	1,013,994
Current assets			
Inventories	25	**147,129**	76,105
Amounts due from joint ventures	24	**139,523**	197,157
Amount due from an associate	17(d)	**81,307**	70,097
Trade and other receivables	23	**768,116**	851,164
Loans and interests receivables	26	**6,373**	36,263
Financial assets measured at FVTPL	22	**293,878**	391,274
Security account balances	27	**9**	7,732
Restricted bank balances	28	**248,675**	192,064
Bank balances and cash	28	**161,356**	220,364
		1,846,366	2,042,220
Total assets		**2,751,198**	3,056,214

	Notes	**2022 RMB'000**	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	29	**137**	137
Borrowings – due after one year	30	**566,559**	473,611
Lease liabilities	16(ii)	**1,901**	2,868
Deferred income	32	**35,157**	48,534
Deferred tax liabilities	21	**36,420**	38,172
		640,174	563,322
Current liabilities			
Trade and other payables	29	**1,289,620**	1,250,084
Borrowings – due within one year	30	**854,698**	1,077,677
Convertible bonds	31	**860,350**	824,674
Derivative financial liabilities	31	**4,236**	–
Lease liabilities	16(ii)	**6,039**	10,941
Income tax payable		**55,050**	47,712
Deferred income	32	**5,433**	5,433
Contract liabilities	5(iv)	**6,365**	15,029
Provisions	33	**56,085**	49,507
		3,137,876	3,281,057
Total liabilities		**3,778,050**	3,844,379
Net current liabilities		**(1,291,510)**	(1,238,837)
Total assets less current liabilities		**(386,678)**	(224,843)
Net liabilities		**(1,026,852)**	(788,165)

	Note	2022 RMB'000	2021 RMB'000
OWNERS' EQUITY			
Share capital	34	**144,631**	112,290
Reserves		**(1,241,894)**	(971,034)
Equity attributable to:			
Owners of the Company		**(1,097,263)**	(858,744)
Non-controlling interests		**70,411**	70,579
Total deficit in equity		**(1,026,852)**	(788,165)

The consolidated financial statements on pages 67 to 189 were approved by the board of directors of the Company on 29 March 2023 and were signed on its behalf.

Dr. Wilson SEA	**Dr. ZHU Huanqiang**
Director	*Director*

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Development reserve RMB'000 (Note c)	Accumulated losses RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity/ (deficit in equity) RMB'000
Balance at 1 January 2021	84,283	4,036,480	70,738	40,628	4,360	(61,865)	31,348	(4,012,675)	109,014	328,045	521,342
Loss for the year	–	–	–	–	–	–	–	(968,233)	(968,233)	(134,281)	(1,102,514)
Other comprehensive (loss)/income											
Exchange difference on translation of foreign operation	–	–	–	–	–	(131,463)	–	–	(131,463)	4,581	(126,882)
Total comprehensive loss for the year	–	–	–	–	–	(131,463)	–	(968,233)	(1,099,696)	(129,700)	(1,229,396)
Issuance of share capital (Note 34)	28,007	31,495	–	–	–	–	–	–	31,495	–	59,502
Share premium cancellation	–	(4,036,480)	–	–	–	–	–	4,036,480	–	–	–
Decrease in non-controlling interest on disposal of funds	–	–	–	–	–	2,059	–	–	2,059	(16,546)	(14,487)
Deconsolidation of Affected Businesses	–	–	(13,906)	–	–	–	–	–	(13,906)	(120,695)	(134,601)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	9,475	9,475
Balance at 31 December 2021	112,290	31,495	56,832	40,628	4,360	(191,269)	31,348	(944,428)	(971,034)	70,579	(788,165)

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Development reserve RMB'000 (Note c)	Accumulated losses RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity/ (deficit in equity) RMB'000
Balance at 1 January 2022	112,290	31,495	56,832	40,628	4,360	(191,269)	31,348	(944,428)	(971,034)	70,579	(788,165)
Loss for the year	–	–	–	–	–	–	–	(420,736)	(420,736)	1,160	(419,576)
Other comprehensive income/(loss)											
Exchange difference on translation of foreign operation	–	–	–	–	–	80,576	–	–	80,576	(115)	80,461
Total comprehensive income/(loss) for the year	–	–	–	–	–	80,576	–	(420,736)	(340,160)	1,045	(339,115)
Issuance of shares capital (Note 34)	14,156	53,310	–	–	–	–	–	–	53,310	–	67,466
Issuance of shares upon conversion of convertible bonds (Note 34)	18,185	15,990	–	–	–	–	–	–	15,990	–	34,175
Disposal of a subsidiary (Note 35(b))	–	–	–	–	–	–	–	–	–	(1,213)	(1,213)
Balance at 31 December 2022	144,631	100,795	56,832	40,628	4,360	(110,693)	31,348	(1,365,164)	(1,241,894)	70,411	(1,026,852)

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

Notes:

(a) The balance comprises (i) reserves arose from various reorganisation to streamline the Group's structure prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in prior years and (ii) the difference between the carrying amount of contingent consideration payable derecognised and 5% of the net assets value of Xishan Schools# disposed of with an amount of approximately RMB13,906,000 was deconsolidated during the year ended 31 December 2021.

Xishan Schools include: Fuqing Xishan School* (福清西山學校), 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) and Xishan Education Group* (西山教育集團).

(b) The balance comprises statutory surplus reserve and discretionary surplus reserve, which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the People's Republic of China ("**China**" or the "**PRC**", for the purpose of this report, shall exclude the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), the Macau Special Administrative Region of the PRC and Taiwan) and by the board of directors of the PRC subsidiaries in accordance with the articles of associate of the subsidiaries.

Statutory surplus reserve can be used to make up for previous years' losses or convert into additional capital of the PRC subsidiaries of the Company. Discretionary surplus reserve can be used to expand the existing operations of the Company's PRC subsidiaries.

(c) According to the relevant PRC laws and regulations, private school is required to appropriate to development fund of not less than 25% of the annual net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	40(a)	**49,618**	(95,304)
Income tax refunded		**5,919**	8,179
		55,537	(87,125)
Discontinued operations		**–**	29,707
Net cash generated from/(used in) operating activities		**55,537**	(57,418)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(49,596)**	(16,283)
Payments for acquisition of intangible assets	19	**(369)**	–
Interest received		**13,680**	21,006
Dividends received from financial assets measured at FVTPL	22(b)	**3,035**	5,632
Net cash inflows from disposal of subsidiaries	35	**3,441**	1,682
Purchase of financial assets measured at FVTPL		**(19,701)**	(30,447)
Proceeds from disposal of financial assets measured at FVTPL		**94,278**	73,961
Amounts due from joint ventures		**65,948**	(5,308)
Amount due from an associate		**(11,498)**	28,535
Amount due to a joint venture		**–**	(1,903)
Amount due to an associate		**–**	(6,631)
		99,218	70,244
Discontinued operations		**–**	70,705
Net cash generated from investing activities		**99,218**	140,949

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Interest paid		**(44,348)**	(101,328)
Principal elements of lease payments	40(b)	**(10,103)**	(27,587)
Interest elements of lease payments	40(b)	**(344)**	(214)
New borrowings raised	40(b)	**595,246**	700,748
Repayment of borrowings	40(b)	**(739,399)**	(693,118)
Issuance of shares		**–**	51,433
Repayment to holder of convertible bonds	31	**(25,767)**	–
		(224,715)	(70,066)
Discontinued operations		**–**	(10,503)
Net cash used in financing activities		**(224,715)**	(80,569)
Net (decrease)/increase in cash and cash equivalents		**(69,960)**	2,962
Cash and cash equivalents at beginning of year		**228,096**	226,059
Effect of foreign exchange rate changes		**3,229**	(925)
Cash and cash equivalents at end of year	28	**161,365**	228,096

The above consolidated statement of cash flows should be read in conjunction with accompanying notes.

1 GENERAL INFORMATION

China First Capital Group Limited (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 April 2011. The shares of the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with effect from 23 November 2011. Up to the date of issuance of these consolidated financial statements, the Company does not have a controlling party. The registered office and principal place of the Company is set out in section under heading of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 42(a).

These consolidated financial statements are presented in thousands of units of Renminbi ("**RMB'000**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "**Directors**") on 29 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Before 31 August 2021, due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a material portion of the education management and consultation business through Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司), Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) (collectively the "**School Sponsor**") and the schools# held by the School Sponsor (together with School Sponsor, collectively referred to as the "**Consolidated Affiliate Entities**") in the PRC. The subsidiaries of the Company, Fuzhou Quanyue Education Consulting Company Limited* (福州全悅教育諮詢有限公司) and Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) (collectively the "**WOFEs**"), have entered into contractual arrangements (the "**Contractual Arrangements**") with the School Sponsor and their equity holders, respectively, which enable the Group to:

(a) exercise effective financial and operational control over the Consolidated Affiliated Entities;

(b) exercise equity holders' voting rights of the Consolidated Affiliated Entities;

(c) receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by WOFEs;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. WOFEs may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of WOFEs; and

(e) obtain pledge over the entire equity interest of the School Sponsor from their equity holders as collateral security for all of the School Sponsor and their respective subsidiaries obligations under the Contractual Arrangements.

The schools includes: Fuqing Xishan School* (福清西山學校), 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) 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).

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities and income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements of the Group.

Newly promulgated Implementation Regulations during 2021

During the year ended 31 December 2021, Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (中華人民共和國民辦教育促進法實施條例, "**Implementation Regulations**") were promulgated. The Implementation Regulations were effective on 1 September 2021. The Implementation Regulations include rules that prohibit social organisations and individuals from controlling private compulsory education schools and non-profit private preschools through mergers, acquisitions and contractual arrangements and prohibit private compulsory education schools from conducting transactions with related parties. The Directors assessed that all schools in the education management and consultation business of the Group were affected by the Implementation Regulations (collectively referred to as the "**Affected Business**").

Details of the impact by Implementation Regulations on the Affected Business of the Group were set out in Note 39.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared in accordance with HKFRSs under the historical cost basis, except for certain financial instruments, which that are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

2.1.1 Going concern

For the year ended 31 December 2022, the Group reported a loss attributable to owners of the Company of approximately RMB421 million (2021: approximately RMB968 million). As at 31 December 2022, the Group had accumulated losses and deficit in equity of approximately RMB1,365 million and RMB1,027 million, respectively (31 December 2021: approximately RMB944 million and RMB788 million, respectively) and the Group's current liabilities exceeded its current assets by approximately RMB1,292 million (31 December 2021: approximately RMB1,239 million). As at the same date, the Group's total borrowings and convertible bonds (including derivative financial liabilities) amounted to approximately RMB2,286 million (31 December 2021: approximately RMB2,376 million), while its bank balances and cash amounted to approximately RMB161 million (31 December 2021: approximately RMB220 million) only. In addition, as at 31 December 2022, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB388 million (31 December 2021: approximately RMB366 million) were in default due to late or overdue payment.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) The terms and conditions of the convertible bonds was amended with effect from 16 May 2022 and the maturity date was extended to 15 May 2023. In addition, according to the amendment and restatement agreement of the convertible bonds, it can be further extended to 15 May 2024, with written agreements of the holders of the convertible bonds. The Group is the currently in active negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024;

(ii) The Group has been actively communicating with its existing lenders of borrowings which were overdue or will be due within twelve months from the date of financial position, to renew of, extend to the dates of repayment, and/or to introduce debt capitalisation plans to these lenders;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern *(Continued)*

(iii) The Group has been actively negotiating new sources of financing, such as banks borrowings, placement and etc;

(iv) The Group is actively looking for potential buyers for its non-core and non-operating assets so as to increase liquidity efficiency, if necessary; and

(v) The Group continues to strengthen the operation and management of each business unit to increase operational efficiency and take active measures to control administrative costs through various channels including human resources and office space optimisation to generate sufficient cash flow.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) the successful negotiation with the holders of the convertible bonds for the extension of the maturity date to 15 May 2024;

(ii) the successful negotiations with the lenders of borrowings for the renewal of, extension for and/or restructure of repayment of the outstanding borrowings, including the principals and interests;

(iii) the successful obtaining additional new sources of financing as and when needed;

(iv) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and

(v) the successful managing the Group's operations from time to time to generate sufficient cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern *(Continued)*

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for its annual reporting period commencing 1 January 2022:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Directors have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of financial position, and statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described below.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The management, including the chief executive officer, the chief financial officer and other executives, assesses the financial performance and position of the Group, and makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the **functional currency**"). The Company's functional currency is Hong Kong dollar ("**HK$**") and the consolidated financial statements are presented in RMB which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The principal annual rates are as follows:

Buildings	20-40 years
Motor vehicles	5-10 years
Furniture, fixtures and equipment	5-7 years
Machinery	1-15 years
Leasehold improvement	Over the shorter of the term of lease or 5-7 years
Others	3-20 years

Construction in-progress represents property, plant and equipment under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in "Business combination" above. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(ii) Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(v) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over their respective useful life.

The following items are amortised on a straight-line basis over the useful life from the acquisition date:

Customer relationship	8-10 years
Patents	4 years
Software	7-10 years
Financial business brand	10 years

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations *(Continued)*

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVTOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

(ii) FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

(iii) FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(iii) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Repurchase agreements and reverse repurchase agreements

The Group enters into repurchase agreements ("**repos**") in financing the purchase of securities in managing cash flow. The repurchase agreements entered into by the Group are functionally equivalent to collateralised borrowing which involves pledging of corresponding securities with an agreement to repay the borrowed sum together with agreed upon interest at an agreed upon date. Repos are initially recorded in the consolidated statement of financial position as borrowings, at the actual amount of cash received from the counterparty. The amount is subsequently measured at amortised cost. Financial assets pledged as collateral under repurchase agreements are not derecognised in the statement of financial position.

Securities purchased under agreements to resell ("**reverse repos**") are recorded as loans to the counterparties, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchases and sales are recorded with the gain or loss. The obligation to return them is recorded at fair value as a trading liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward looking basis the ECL associated with its debt instrument carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on other financial assets at amortised cost is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.12 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss and amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the financial liabilities using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Compound financial instruments

The component parts of the convertible bonds are classified separately as financial liability, conversion option and conversion-veto option in accordance with the substance of the contractual arrangement and the definitions of a financial liability and derivative. A conversion option and convertible-veto option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments are derivatives.

At the date of issue, the conversion option and conversion-veto option are recognised at fair value. The liability component is recognised initially at the difference between the fair value of convertible bonds as a whole and the fair value of the derivative components.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and conversion-veto option are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits

(i) Short-term obligations

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(ii) Retirement benefit costs

Payments to the state-managed retirement benefit scheme or the Mandatory Provident Fund Scheme are recognised as expense when employees have rendered services entitling them to the contributions.

The employees of the Group are members of state-managed retirement benefit scheme operated by the PRC government or members of the Mandatory Provident Fund Scheme in Hong Kong, or members of the Central Provident Fund in Singapore. The Group are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of automobile shock absorbers

- Provision of management and consultation services to educational institutions

- Provision of financial and advisory services

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

The payment terms differed for different customers due to the variety of revenue streams. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

For the sales of automobile shock absorbers, revenue is recognised when a customer obtains control of the goods, i.e. upon fulfilment of performance obligation stipulated in the contracts and goods are delivered to the customers.

For the provision of financial and advisory services, specific price for individual performance obligation is indicated in the contract. For the provision of private equity fund management, the revenue is recognised proportionately over the relevant period of services contracts as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from the provision of other financial and advisory services, underwriting and dealing services is recognised at a point in time when the customer obtains control of the distinct service, i.e. upon the fulfilment of performance obligation stipulated in the contract and service is delivered to the customer.

For provision of management services to educational institutions by conducting tutorial/teaching, revenue is recognised proportionately over the relevant period of school semesters, i.e. over the period of time for the continuous benefits are provided to educational institutions during the relevant period.

For provision of overseas study consultation services to students, revenue is recognised at a point in time when the Group has fulfilled its performance obligation, i.e. when the students have accepted offer from overseas universities.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation – output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.29 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.30 Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme and share award scheme. Information relating to the scheme is set out in Note 41.

Share options

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to other reserve. When the share options forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to market risk (including price, foreign exchange and interest rate), credit risk and liquidity risk. The Group's overall risk management programme focuses on the analysis, evaluation, acceptance and monitoring of such risks which are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

(a) Market risk

(i) Price risk

The Group hold listed equity investments, which can be affected by fluctuations in share price and is exposed to other price risk on share price of the listed investments.

If the benchmark index, Hang Seng index, had been 37% (2021: 14%) higher/lower, loss for the year ended 31 December 2022 would have decreased/increased by RMB84,585,000 (2021: RMB51,808,000). The analysis is based on the assumptions that the benchmark index increased/decreased with all other variables held constant and that the Group's investment portfolio moved according to the volatility of the Hang Seng index. The Group does not manage price risk with reference to any market index. The benchmark index used above is for guidance and performance comparison only. In practice, the actual trading results may differ from the sensitivity analysis above and the difference could be material

In the opinion of the Directors, the sensitivity analysis above is unrepresentative for the other price risk as the exposure at the end of reporting period does not reflect the exposure during the year.

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group mainly operates in Hong Kong and the PRC. The majority of the transactions at each location are settled in the respective local currencies, namely HK$ and Renminbi ("**RMB**").

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure as management considers its exposure is not significant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign exchange risk *(Continued)*

As at 31 December 2022, for companies with RMB as their functional currency, if HK$ had weakened/strengthened by 5% against RMB, with all other variables held constant, loss for the year would have been approximately RMB2,617,000 (2021: RMB2,851,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of bank balances denominated in HK$.

For companies with HK$ as their functional currency, if Singapore dollar ("**SGD**") had weakened/strengthened by 5% against the HK$, with all other variables held constant, loss for the year would have been approximately RMB531,000 higher/lower (2021: RMB583,000), mainly as a result of foreign exchange losses/gains on translation of financial assets denominated in SGD.

The Group has minimal exposure to foreign exchange risk between US$ and HK$ as they are linked between each other under the Linked Exchange Rate System. Accordingly, no sensitivity analysis is performed.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the restricted bank balances and bank balances, and variable rate of interest incurred on borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivables, certain fixed-rate borrowings, convertible bonds and fixed-rate lease liabilities. It is the Group's policies to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

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

If interest rate of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would have decreased/increased by approximately RMB483,000 (2021: RMB412,000).

If interest rate of variable-rate borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would have increased/decreased by approximately RMB608,000 (2021: RMB730,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk refer to the risk that the counter-party fails to meet its contractual obligations resulting in financial loss to the Group. The credit risk of the Group mainly arises from amounts due from joint ventures, amount due from an associate, trade receivables resulting from transactions within the scope of HKFRS 15, deposits and other receivables, loans and interests receivables, and deposits with banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group applies HKFRS 9 simplified approach for measuring the expected credit losses ("**ECL**"), which use a lifetime expected loss allowance for all trade receivables resulting from transactions within the scope of HKFRS 15. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The Group applies the general approach in HKFRS 9 to measure the expected credit losses for balances not qualified for simplified approach. The general approach which uses a three-stage model to calculate the loss allowances. According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the expected credit losses by three stages:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Assessment of significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the respective entities' financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, e.g. payment being past due by more than certain amounts of days.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Assessment of credit-impaired

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are unlikely to pay, such as bankruptcy, fraud or death. This definition is consistent with internal credit risk management and the regulatory definition of default.

Trade and bills receivables resulting from transactions within the scope of HKFRS 15

As at 31 December 2022, the Group is exposed to concentration of credit risk as 63% (2021: 69%) of the total trade receivables were due from largest 10 customers and the top customer accounted for 22% (2021: 17%) of total trade receivables. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

The Group applies the simplified approach under HKFRS 9 for trade receivables resulting from transactions within the scope of HKFRS 15, which measures the expected credit losses based on life-time basis. The expected loss rates are based on a benchmarking default rate for debtors under similar credit quality, or the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified factors such as the gross domestic product index, inflation rate, unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on trade receivables are presented as "ECL, net of reversal" in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (continued)

Trade and bills receivables resulting from transactions within the scope of HKFRS 15 *(Continued)*

On that basis, the loss allowance for trade receivables resulting from transactions within the scope of HKFRS 15 as at 31 December 2022 and 2021 was determined as follows:

	Expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2022				
Trade receivables	**7.9%**	**485,668**	**(38,144)**	**447,524**
Bills receivables	**0%**	**108,037**	**–**	**108,037**
As at 31 December 2021				
Trade receivables	8.8%	455,643	(40,252)	415,391
Bills receivables	0%	109,570	–	109,570

Impairment losses on trade receivables are presented as "ECL, net of reversal" in the consolidated statement of profit or loss and other comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised as in the consolidated statement of profit or loss and other comprehensive income.

The movements of loss allowance for trade receivables resulting from transactions within the scope of HKFRS 15 are shown as follows:

	2022	2021
	RMB'000	RMB'000
Loss allowance at 1 January	**40,252**	32,494
(Reversal of)/provision for ECL	**(2,108)**	7,758
Loss allowance at 31 December	**38,144**	40,252

During the years ended 31 December 2022 and 2021, the Group estimates the ECL on bills receivables to be minimal.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Amounts due from joint ventures, amount due from an associate, deposits and other receivables and loans and interests receivables

The Group adopted general approach for expected credit loss of amounts due from joint ventures, amount due from an associate, deposits and other receivables and loans and interests receivables.

The measurement basis for the financial assets at amortised cost using the general approach are as follows:

As at 31 December 2022	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Amounts due from joint ventures	139,523	–	139,523
Amount due from an associate	81,307	–	81,307
Deposits and other receivables	113,348	54,247	167,595
Loans and interests receivables	6,373	–	6,373
	340,551	54,247	394,798

As at 31 December 2021	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Amounts due from joint ventures	197,157	–	197,157
Amount due from an associate	70,097	–	70,097
Deposits and other receivables	50,729	202,917	253,646
Loans and interests receivables	32,637	3,626	36,263
	350,620	206,543	557,163

Impairment losses on amounts due from joint ventures, and amount due from an associate, deposits and other receivables and loans and interests receivables, are presented as "ECL, net of reversal" in the consolidated statement of profit or loss and other comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised as in the consolidated statement of profit or loss and other comprehensive income.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Amounts due from joint ventures, amount due from an associate, deposits and other receivables and loans and interests receivables *(Continued)*

The movements of loss allowance for amounts due from joint ventures, amount due from an associate, deposits and other receivables and loans and interests receivables are shown as follows:

For the year ended 31 December 2022	**12-month ECL RMB'000**	**Lifetime ECL RMB'000**	**Total RMB'000**
Loss allowance at 1 January	**9,246**	**171,147**	**180,393**
(Reversal of)/provision for ECL	**(4,570)**	**22,870**	**18,300**
Receivables written off as uncollectible	**–**	**(155,031)**	**(155,031)**
Exchange realignment	**2,939**	**3,935**	**6,874**
Loss allowance at 31 December	**7,615**	**42,921**	**50,536**

For the year ended 31 December 2021	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January	16,760	312,831	329,591
Provision for ECL	558	10,603	11,161
Deconsolidation of subsidiaries	(8,072)	(153,377)	(161,449)
Receivables written off as uncollectible	–	(373)	(373)
Exchange realignment	–	1,463	1,463
Loss allowance at 31 December	9,246	171,147	180,393

Bank balances

The credit risk on deposits with banks is limited because the counterparties are several reputable and creditworthy banks. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, expected credit loss rate of cash at bank is assessed to be immaterial and no provision was made as at 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents which are generated from internal operations and having adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022						
Trade and other payables	**1,289,620**	**137**	**–**	**–**	**1,289,757**	**1,289,757**
Borrowings	**856,619**	**365,278**	**263,007**	**13,340**	**1,498,244**	**1,421,257**
Convertible bonds	**907,841**	**–**	**–**	**–**	**907,841**	**860,350**
Derivative financial liabilities	**4,236**	**–**	**–**	**–**	**4,236**	**4,236**
Lease liabilities	**6,243**	**1,633**	**325**	**–**	**8,201**	**7,940**
	3,064,559	**367,048**	**263,332**	**13,340**	**3,708,279**	**3,583,540**
As at 31 December 2021						
Trade and other payables	1,250,084	137	–	–	1,250,221	1,250,221
Borrowings	1,104,619	194,762	319,924	15,010	1,634,315	1,551,288
Convertible bonds	824,674	–	–	–	824,674	824,674
Lease liabilities	11,104	2,504	599	–	14,207	13,809
	3,190,481	197,403	320,523	15,010	3,723,417	3,639,992

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2022 and 2021.

As at 31 December 2022	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets and liabilities at fair value through profit or loss				
Listed securities	**227,854**	**–**	**–**	**227,854**
Unlisted equity investments	**–**	**–**	**66,024**	**66,024**
Derivative financial liabilities	**–**	**–**	**(4,236)**	**(4,236)**
	227,854	**–**	**61,788**	**289,642**

As at 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Listed securities	344,769	–	–	344,769
Suspended listed securities	–	–	18,703	18,703
Unlisted equity investments	–	–	27,802	27,802
	344,769	–	46,505	391,274

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation *(Continued)*

Other than borrowings and lease liabilities, the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. The fair value for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

Financial assets	Fair value as at 2022 RMB'000	Fair value as at 2021 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Range of inputs
Financial assets measured at FVTPL – suspended listed equity investments	–	18,703	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the suspended listed equity investment	Change in market capitalisation percentage	22.8%
Financial assets measured at FVTPL – equity investments (unlisted company)	23,560	12,881	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments	P/B Multiples; EV/S Multiples; P/S Multiple	4.91%–4.95%
Financial assets measured at FVTPL – equity investments (unlisted company)	22,176	–	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments	Change in market capitalisation percentage	5.91%
Financial assets measured at FVTPL – equity investments (unlisted company)	–	14,921	Level 3	Recent transactions	N/A	N/A
Financial assets measured at FVTPL – fund investment (unlisted company)	20,288	–	Level 3	Net assets value	N/A	N/A

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2022 and 2021.

	2022 RMB'000	2021 RMB'000
At 1 January	**46,505**	98,825
Additions	**25,440**	–
Disposals	**(17,375)**	(23,109)
Consideration received	**–**	(7,759)
Transfer (to)/from level 1 investment	**(18,703)**	18,703
Fair value losses recognised in the profit or loss	**30,157**	(40,155)
At 31 December	**66,024**	46,505
Unrealised gains/(losses) recognised in the consolidated statement of profit or loss and other comprehensive income attributable to balances held at the end of the reporting period	**30,134**	(44,547)

Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. Volatility is the main significant unobservable input. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss 2022 RMB'000	Favourable/(unfavourable) changes in profit or loss 2021 RMB'000
(i) Suspended listed equity	**Nil**	18,703	Market comparable	Discount for lack of marketability	22.8%	**N/A**	+/–5% +/–1,020

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation *(Continued)*

Sensitivity analysis of observable and unobservable inputs *(Continued)*

Description	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss 2022 RMB'000	Favourable/(unfavourable) changes in profit or loss 2021 RMB'000
(ii) Equity investment (unlisted equity)	**23,560**	12,881	Market comparable	P/S Multiples	4.91%-4.95%	**+/–5%** **+/–735**	+/–5% +/–328
(iii) Equity investment (unlisted equity)	**22,176**	Nil	Market comparable	Change in market capitalisation percentage	5.91%	**+/–5%** **+/–66**	N/A

(e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include borrowings and convertible bonds (including derivative financial liabilities)), net of cash and cash equivalents and total deficit in equity.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the raising of new capital as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank and other borrowings and convertible bonds (including derivative financial liabilities) as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as "total equity/deficit in equity" as shown in the consolidated statement of financial position plus net debts.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Capital risk management *(Continued)*

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Borrowings	**1,421,257**	1,551,288
Convertible bonds	**860,350**	824,674
Derivative financial liabilities	**4,236**	–
	2,285,843	2,375,962
Less: Bank balances and cash	**(161,356)**	(220,364)
Net debts	**2,124,487**	2,155,598
Total deficit in equity	**(1,026,852)**	(788,165)
Total capital	**1,097,635**	1,367,433
Gearing ratio	**194%**	158%

The gearing ratio increased from 158% to 194% was attributable to the increase in total deficit during the year ended 31 December 2022.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash-generating unit (the "**CGU**") or its fair value less costs of disposal to which intangible assets with indefinite useful lives has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The fair value less costs of disposal is determined by reference to either recent transaction price or a value derived from valuation model i.e. guideline companies method, key inputs including last-twelve-month enterprise value to revenue, and enterprise value to net asset value of comparable companies are involved. Where the actual future cash flows are less than expected or changes in key assumptions underlying valuation model, further impairment loss may arise.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(b) Impairment of deposits and other receivables and loans and interests receivables

The Group recognises lifetime ECL for deposits and other receivables and loans and interests receivables using individual assessment, based on the internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

(c) Impairment of trade receivables

The Group applies HKFRS 9 simplified approach for measuring the ECL of trade receivables, which use a lifetime expected loss allowance for all trade receivables resulting from transactions within the scope of HKFRS 15. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables. The Group uses judgment in making these assumptions and selecting the inputs to the ECL calculation. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional expected loss allowance to the statement of profit or loss and other comprehensive income.

(d) Valuation of financial instruments

The fair values for certain financial instruments, including financial assets measured at FVTPL (Level 3) (Note 22) and convertible bonds (including derivative financial liabilities) (Note 31) are established by using valuation techniques. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of the personnel that developed the valuation techniques. Some inputs used in the valuation, such as credit risk, volatility of share price and dividend yield of the investees, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of these financial instruments.

(e) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(f) Provision for warranty claims

Provision for warranty is made based on the possible claims on the products by customers with reference to the warranty coverage period and the percentage of warranty expenses incurred over total sales amounts historically. In case where the actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in consolidated statement of profit or loss and other comprehensive income for the period in which such a claim takes place.

(g) Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling prices for inventories, less all the estimated costs of completion and costs necessary to make the sales.

Operational procedures have been in place to monitor this risk, including regular review by the management of the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying values of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made for any obsolete and slow-moving items. If the selling price is lower than expected, additional allowance would be recognised.

(h) Impairment of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives

Property, plant and equipment, right-of-use assets and intangible assets with finite useful lives are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment assessment.

5 REVENUE

(i) Disaggregation of revenue from contracts with customers

	2022 RMB'000	2021 RMB'000
Automotive parts business		
Sales of automotive absorbers to		
– the automobile market of original automobile manufacturers	**1,085,256**	960,966
– the second market of automobile industry	**37,778**	46,235
– others	**3,997**	7,505
	1,127,031	1,014,706
Education management and consultation business		
Provision of management and consultation services to educational institutions		
– management and consultation services	**50,935**	51,098
	50,935	51,098
Financial services business		
Provision of financial and advisory services in respect of		
– private equity fund management	**467**	2,901
– underwriting and dealing services	**5,276**	12,830
– advisory services	**12,304**	4,168
– others	**5**	3,509
	18,052	23,408
Revenue from contracts with customers	**1,196,018**	1,089,212
Interest income	**3,894**	4,618
	1,199,912	1,093,830

5 REVENUE *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	For the year ended 31 December 2022			
	Automotive parts business RMB'000	Education management and consultation business RMB'000	Financial services business RMB'000	Total RMB'000
Timing of revenue recognition:				
– A point in time	1,127,031	2,280	17,585	1,146,896
– Overtime	–	48,655	467	49,122
	1,127,031	50,935	18,052	1,196,018
Geographical markets:				
– The PRC	1,105,002	50,935	9,523	1,165,460
– Hong Kong	–	–	6,283	6,283
– Singapore	–	–	2,246	2,246
– Italy	22,029	–	–	22,029
	1,127,031	50,935	18,052	1,196,018

	For the year ended 31 December 2021			
	Automotive parts business RMB'000	Education management and consultation business RMB'000	Financial services business RMB'000	Total RMB'000
Timing of revenue recognition:				
– A point in time	1,014,706	3,206	20,507	1,038,419
– Overtime	–	47,892	2,901	50,793
	1,014,706	51,098	23,408	1,089,212
Geographical markets:				
– The PRC	993,535	51,098	1,732	1,046,365
– Hong Kong	–	–	21,676	21,676
– Italy	21,171	–	–	21,171
	1,014,706	51,098	23,408	1,089,212

5 REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

(a) Automotive parts business

The Group sells automotive parts products directly to customers i.e. automobile market of original automobile manufactures and the secondary market of the automobile industry.

For sales of automotive parts products to the customers, revenue is recognised at a point in time, when control of the goods has transferred, being when the goods have been shipped to designated premises and have accepted at respective customers ("**Delivery**"). Following the Delivery, the customer has full discretion over the products. The normal credit term is 90 days upon the Delivery.

If a customer pays the consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Sales-related warranties associated with automotive parts products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for such warranties in accordance with HKAS 37.

(b) Education management and consultation business

The Group provides education management services. Revenue is recognised over the relevant period of school semesters, i.e. over the period of time.

The Group also provide consultation services. Revenue is recognised at a point in time when the Group has fulfilled its performance obligation, i.e. when the customers have accepted offer from universities.

(c) Financial services business

Revenues from provision of private equity fund management services recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The revenue recognised proportionately over the relevant period of services contract. Revenue from the provision of other financial and advisory services, underwriting and dealing services within the segment recognised at a point in time when the customer obtains control of the distinct service, i.e. upon fulfilment of performance obligation stipulated in the contract and service is delivered to the customer.

5 REVENUE *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021, and the expected timing recognising revenue are as follows:

	Automotive parts business	**Education management and consultation business**	**Financial services business**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022				
Within one year	**575**	**27,079**	**–**	**27,654**
At 31 December 2021				
Within one year	16,000	–	327	16,327

(iv) Contract liabilities

	2022	2021
	RMB'000	RMB'000
Advanced tuition fee	**5,790**	15,029
Advanced from customers	**575**	–
	6,365	15,029
Analysed for reporting purposes as:		
– Current liabilities	**6,365**	15,029

5 REVENUE *(Continued)*

(iv) Contract liabilities *(Continued)*

The following table shows how much of the revenue recognised in the current year relates to contract liabilities carried-forward from preceding year.

	Advanced tuition fee RMB'000	**Advanced from customers** RMB'000	**Total** RMB'000
For the year ended 31 December 2022			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**15,029**	**–**	**15,029**
For the year ended 31 December 2021			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	16,272	8,300	24,572

The contract liabilities represent the Group's obligation to render education management services to customers for which the Group has received advance payments from the customers, the balance will be recognised as revenue for the year ending 31 December 2023 (2021: 2022).

The decrease in contract liabilities in 2022 was mainly due to the decrease in advanced tuition fees received from customers in relation to the provision of the said services at the end of the year.

6 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 of the Company, who are the chief operating decision makers (the "**CODM**") of the Group, for the purposes of resource allocation and assessment of performance.

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

- Automotive parts business – manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers and the secondary market of the automobile industry.

- Education management and consultation business – engage in the business of provision of management and consultation services to educational institutions.

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

6 SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and segment results

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		Segment results	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Automotive parts business	**1,127,031**	1,014,706	**53,538**	(159,411)
Education management and consultation business	**50,935**	51,098	**12,495**	5,830
Financial services business	**21,946**	28,026	**18,328**	26,856
Total segment	**1,199,912**	1,093,830	**84,361**	(126,725)
Other income and expenses			**45,969**	38,579
Other losses, net			**(199,315)**	(865)
ECL, net of reversal			**(18,300)**	(11,161)
Provision for impairment of goodwill			**–**	(264,384)
Administrative expenses			**(136,771)**	(138,086)
Operating losses			**(224,056)**	(502,642)
Finance costs			**(198,278)**	(197,445)
Share of results of associates			**(1,978)**	(105)
Share of results of joint ventures			**(21,361)**	6,601
Impairment losses of interests in joint ventures			**(12,862)**	(21,232)
Fair value changes of financial assets at FVTPL			**(23,423)**	(172,486)
Fair value changes of derivative financial liabilities			**62,216**	–
Day one fair value loss on issue of convertible bonds			**(167)**	–
Loss before income tax			**(419,909)**	(887,309)

6 SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and segment results *(Continued)*

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

	For the year ended 31 December 2022			
	Automotive parts business RMB'000	Education management and consultation business RMB'000	Financial services business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	1,127,031	50,935	18,052	1,196,018
Inter-segment sales	–	–	971	971
Sub-total	1,127,031	50,935	19,023	1,196,989
Elimination	–	–	(971)	(971)
Revenue from contracts with customers	1,127,031	50,935	18,052	1,196,018
Interest income	–	–	3,894	3,894
Segment revenue	1,127,031	50,935	21,946	1,199,912

6 SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and segment results *(Continued)*

	For the year ended 31 December 2021			
	Automotive parts business RMB'000	Education management and consultation business RMB'000	Financial services business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	1,014,706	51,098	23,408	1,089,212
Inter-segment sales	840	6,881	32,838	40,559
Sub-total	1,015,546	57,979	56,246	1,129,771
Elimination	(840)	(6,881)	(32,838)	(40,559)
Revenue from contracts with customers	1,014,706	51,098	23,408	1,089,212
Interest income	–	–	4,618	4,618
Segment revenue	1,014,706	51,098	28,026	1,093,830

The accounting policies of the operating segments are the same as the Group's accounting policies disclosed in Note 2. Segment results represent the profit/(loss) 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.

6 SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group principally operates in the PRC.

During the year ended 31 December 2022, 97% (2021: 95%) of the Group's revenue from external customers, based on the operation location of respective customers, is derived from the PRC.

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

(d) Information about major customer

Revenue from major customers which accounts for 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
	RMB'000	RMB'000
Automotive parts business		
Customer A	**173,883**	190,237
Customer B	**153,320**	150,967

7 OTHER INCOME AND EXPENSES

	2022	2021
	RMB'000	RMB'000
Interest income from financial institutions	**3,242**	6,372
Interest income from non-financial institutions	**10,438**	14,634
Government grants (Note (a))	**18,673**	37,676
Storage services income	**769**	1,629
Others	**12,847**	(21,732)
	45,969	38,579

Note:

(a) During the year ended 31 December 2022, the amount mainly included government grants to the Group for the development of manufacturing companies with high quality and significant research programme (2021: maintaining lower unemployment rate and relocation of manufacturing plants) with no unfulfilled conditions attached before recognition.

8 OTHER LOSSES, NET

	2022 RMB'000	2021 RMB'000
Exchange (losses)/gains, net	**(194,061)**	60,944
Dividend income from financial assets measured at FVTPL (Note 22(b))	**3,035**	5,632
Written off of trade receivables	**–**	(82,035)
Losses on disposal of property, plant and equipment	**(1,627)**	(4,479)
Gain on disposal of a subsidiary (Note 35(b))	**3,600**	–
Loss on deemed disposal of a joint venture (Note 18)	**(16,650)**	–
Gain on de-registration of subsidiaries	**13**	15,173
Others	**6,375**	3,900
	(199,315)	(865)

9 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2022 RMB'000	2021 RMB'000
Auditor's remuneration	**1,965**	2,780
Cost of inventories sold	**875,667**	888,983
Provision for/(reversal of provision for) impairment of inventories	**11,154**	(8,302)
Employee benefits expenses (including directors' emoluments)	**180,311**	174,239
– Salaries and other benefits	**162,805**	160,590
– Retirement benefit scheme contributions	**17,506**	13,649
Amortisation of intangible assets (Note 19)	**8,380**	11,921
Depreciation of property, plant and equipment (Note 15)	**47,034**	49,438
Depreciation of right-of-use assets (Note 16(i))	**13,924**	14,976
Legal and professional fee	**6,962**	8,249
Lease payments under short-term leases	**794**	925

10 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive emoluments

Details of the emoluments paid to the directors and chief executive of the Company during the year, disclosed pursuant to the applicable Listing Rules and CO, on a named basis are as follows:

For the year ended 31 December 2022

	Fees RMB'000	Discretionary bonuses RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Dr. Wilson Sea	258	–	1,809	69	2,136
Mr. Zhao Zhijun	258	–	-	–	258
Dr. Zhu Huanqiang	258	–	1,303	–	1,561
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	232	–	–	–	232
Mr. Loo Cheng Guan	232	–	–	–	232
Dr. Du Xiaotang	232	–	–	–	232
Total	1,470	–	3,112	69	4,651

For the year ended 31 December 2021

	Fees RMB'000	Discretionary bonuses RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Dr. Wilson Sea	249	170	1,261	51	1,731
Mr. Zhao Zhijun	245	–	140	26	411
Dr. Zhu Huanqiang	249	–	1,262	–	1,511
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	224	–	–	–	224
Mr. Loo Cheng Guan	224	–	–	–	224
Dr. Du Xiaotang	224	–	–	–	224
Total	1,415	170	2,663	77	4,325

10 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Mr. Zhao Zhijun and Dr. Zhu Huanqiang are the co-chief executive officers of the Company, and their emoluments disclosed above include those for services rendered by them as the chief executive.

The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group whereas those paid to independent non-executive directors were for their services as directors of the Company.

(b) Five highest paid employees

The five highest paid individuals of the Group for the year ended 31 December 2022 included 2 (2021: 2) directors. The remunerations of the remaining 3 (2021: 3) highest paid individuals other than the directors are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other benefits	**1,629**	1,555
Retirement benefit scheme contributions	**71**	88
	1,700	1,643

The emoluments of the remaining 3 (2021: 3) highest paid individuals other than the directors fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
Nil to HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

10 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2021: Nil).

(d) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2021: Nil).

(e) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2021: Nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2021: Nil).

(g) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

11 FINANCE COSTS

	2022 **RMB'000**	2021 RMB'000
Interest on:		
Bank borrowings	**27,626**	27,260
Other borrowings	**59,875**	66,438
Lease liabilities	**344**	214
Convertible bonds (Note 31)	**110,372**	95,903
Others	**61**	7,630
	198,278	197,445

12 INCOME TAX CREDIT

The income tax credit in the consolidated statement of profit or loss and other comprehensive income represented:

	2022 RMB'000	2021 RMB'000
Current income tax		
– Hong Kong Profits Tax	–	2
– PRC Enterprise Income Tax ("**EIT**")	1,618	200
Over provision in prior year		
– Hong Kong Profits Tax	–	(161)
– PRC EIT	(199)	–
Deferred tax (Note 21)	(1,752)	(1,752)
Income tax credit	(333)	(1,711)

The current income tax credit for the years ended 31 December 2022 and 2021 mainly represents the Hong Kong Profits Tax and PRC EIT.

Pursuant to the relevant tax ordinance of the Hong Kong Special Administrative Region, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year ended 31 December 2022 (2021: Hong Kong Profits Tax had been provided for at 16.5% on the estimated assessable profits).

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities operating in the PRC. Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is at 25% from 1 January 2008 onwards.

On 15 December 2009, a subsidiary of the Company, Nanyang Cijan Automobile Absorber Company Limited*(南陽淅減汽車減振器有限公司) ("**Nanyang Cijan**") obtained "High and New Technology Enterprise" status for 3 years. The "High and New Technology Enterprise" status has been renewed in 2021 for another 3 years, which Nanyang Cijan entitles a preferential tax rate of 15% for the period from 2022 to 2024 according to the PRC tax law.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12 INCOME TAX CREDIT *(Continued)*

Companies within the Group that are incorporated in the Cayman Islands and the British Virgin Island ("**BVI**") are not subject to any income tax.

The income tax credit for the years ended 31 December 2022 and 2021 can be reconciled to the loss before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	RMB'000	RMB'000
Loss before income tax	(419,909)	(887,309)
Calculated at a tax rate of 25% (2021: 25%)	(104,977)	(221,829)
Tax effect of different tax rate in other jurisdictions	31,683	33,070
Tax effect of expenses not deductible for tax purpose	52,444	100,316
Tax effect of income not taxable for tax purpose	(37,577)	(41,776)
Tax effect of temporary differences not recognised	–	(32)
Tax effect of tax losses not recognised	58,847	134,668
Utilisation of tax losses previously not recognised	(554)	(5,967)
Over-provision in prior year	(199)	(161)
Income tax credit	(333)	(1,711)

13 DIVIDENDS

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

14 LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

The weighted average number of ordinary shares in issue for the year ended 31 December 2021 has been adjusted retrospectively to reflect the share consolidation completed on 20 August 2021.

(b) Diluted

Diluted loss per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all potentially dilutive ordinary shares. The Company has two (2021: two) category of potentially dilutive ordinary shares: share options and convertible bonds (2021: share options and convertible bonds). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense, fair value change of the derivative portion of convertible bonds and gains/(losses) on early redemption less the tax effect.

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

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Machinery RMB'000	Leasehold improvement RMB'000	Others RMB'000	Construction in-progress RMB'000	Total RMB'000
At 1 January 2021								
Cost	725,880	39,331	334,501	266,257	1,707	2,457	58,157	1,428,290
Accumulated depreciation	(245,293)	(18,173)	(150,414)	(73,240)	(1,655)	(1,461)	–	(490,236)
	480,587	21,158	184,087	193,017	52	996	58,157	938,054
Year ended 31 December 2021								
Opening net book amount	480,587	21,158	184,087	193,017	52	996	58,157	938,054
Additions	1,666	1,993	12,152	472	–	–	–	16,283
Transfer	–	–	415	1,062	–	–	(1,477)	–
Disposals								
– Cost	–	(1,371)	(7,863)	–	–	–	–	(9,234)
– Accumulated depreciation	–	1,002	3,753	–	–	–	–	4,755
Discontinued operations								
– Cost	(463,569)	(21,190)	(59,814)	(12,712)	(64)	(2,457)	(7,751)	(567,557)
– Accumulated depreciation	202,985	11,242	37,051	5,334	45	1,461	–	258,118
Depreciation for the year	(6,342)	(1,370)	(23,128)	(18,567)	(31)	–	–	(49,438)
Exchange realignment								
– Cost	(1,555)	(61)	(52)	–	(48)	–	–	(1,716)
– Accumulated depreciation	(265)	61	49	–	48	–	–	(107)
Impairment	(31,546)	(1,688)	(34,538)	(36,228)	–	–	–	(104,000)
Closing net book amount	181,961	9,776	112,112	132,378	2	–	48,929	485,158
At 31 December 2021								
Cost	262,422	18,702	279,339	255,079	1,595	–	48,929	866,066
Accumulated depreciation and impairment	(80,461)	(8,926)	(167,227)	(122,701)	(1,593)	–	–	(380,908)
Net book amount	181,961	9,776	112,112	132,378	2	–	48,929	485,158

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Machinery RMB'000	Leasehold improvement RMB'000	Construction in-progress RMB'000	Total RMB'000
Year ended 31 December 2022							
Opening net book amount	181,961	9,776	112,112	132,378	2	48,929	485,158
Additions	6,488	1,072	16,748	17,930	–	7,358	49,596
Transfer	7,050	–	–	–	–	(7,050)	–
Disposals							
– Cost	–	(2,467)	(1,758)	–	(87)	–	(4,312)
– Accumulated depreciation	–	1,113	1,487	–	85	–	2,685
Depreciation for the year	(4,163)	(1,274)	(20,528)	(21,069)	–	–	(47,034)
Disposal of a subsidiary (Note 35(b))							
– Cost	–	(263)	–	–	–	–	(263)
– Accumulated depreciation	–	38	–	–	–	–	38
Exchange realignment							
– Cost	522	–	70	–	–	–	592
– Accumulated depreciation	(546)	–	(46)	–	–	–	(592)
Closing net book amount	191,312	7,995	108,085	129,239	–	49,237	485,868
At 31 December 2022							
Cost	276,482	17,044	294,399	273,009	1,508	49,237	911,679
Accumulated depreciation and impairment	(85,170)	(9,049)	(186,314)	(143,770)	(1,508)	–	(425,811)
Net book amount	191,312	7,995	108,085	129,239	–	49,237	485,868

Depreciation expense of RMB35,591,000 (2021: RMB29,959,000) has been expensed in cost of sales/services, RMB2,725,000 (2021: RMB2,126,000) in selling and distribution expenses, RMB346,000 (2021: RMB25,000) in research and development expenditure and RMB8,372,000 (RMB17,328,000) in administrative expenses.

For the year ended 31 December 2021, the Group recognised impairment loss on property, plant and equipment amounting to RMB104,000,000.

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year ended 31 December 2022, the Directors reviewed the recoverable amounts of certain assets used in the Group's automotive parts business segment due to low day rates and utilisation rates, and considered that there is no impairment loss. The recoverable amount was determined based on value in use, which required the use of significant unobservable inputs. Other key assumptions used in the value in use calculations reflect management's judgments and expectations based on past performance and future industry conditions. The pre-tax discount rate applied to the cash flow projections is 14.52%, and the cash flow projection is based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report.

As at 31 December 2022, no property, plant and equipment have been pledged as security for the purpose of borrowings (2021: RMB102,211,000).

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	Leasehold lands RMB'000	**Offices** RMB'000	**Warehouse** RMB'000	**Total** RMB'000
At 1 January 2021	244,648	10,478	1,314	256,440
Additions	–	10,701	1,405	12,106
Depreciation	(4,142)	(9,040)	(1,794)	(14,976)
Early termination	–	(611)	–	(611)
Exchange realignment	–	(142)	–	(142)
Discontinued operation	(120,670)	–	–	(120,670)
Disposal of a subsidiary	(646)	–	–	(646)
At 31 December 2021 and 1 January 2022	119,190	11,386	925	131,501
Additions	**–**	**3,276**	**958**	**4,234**
Depreciation	**(3,480)**	**(9,069)**	**(1,375)**	**(13,924)**
Exchange realignment	**–**	**406**	**–**	**406**
At 31 December 2022	**115,710**	**5,999**	**508**	**122,217**

	2022 **RMB'000**	2021 RMB'000
Expense relating to:		
– Short-term leases	**794**	925
Total cash outflows for leases (excluded short-term leases)	**(10,447)**	(27,801)
Total cash outflows for short-term leases	**(794)**	(925)

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(i) Right-of-use assets *(Continued)*

For both years, the Group leases lands, offices and warehouses for its operations use. Lease contracts are entered into for fixed terms of 13 months to 50 years, without extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located, and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold lands' components of these owned properties are presented separately only if the payments made can be allocated reliably.

For early termination of the lease contracts, no penalty was recognised according to the terms of lease contracts.

(ii) Lease liabilities

	2022	2021
	RMB'000	RMB'000
Lease liabilities:		
Within one year	**6,039**	10,941
Within a period of more than one year but not more than two years	**1,585**	2,274
Within a period of more than two years but not more than five years	**316**	594
	7,940	13,809
Less: non-current portion	**(1,901)**	(2,868)
Current portion	**6,039**	10,941

17 INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of unlisted investments in associates	**31,220**	31,220
Share of results and other comprehensive loss	**(29,081)**	(27,103)
Exchange realignment	**2,388**	41
	4,527	4,158

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Proportion of ownership interest held by the Group		Principal activities
		31 December 2022	31 December 2021	
Nanyang WAY-ASSAUTO Vehicle Shock Absorber Co., Ltd ("**Nanyang Way Assauto**")* 南陽威奧斯圖車輛減振器有限公司	The PRC	**30%**	30%	Manufacture and sales of automobile shock absorber products
Stirling Coleman Capital Limited ("**Stirling Coleman**")	Singapore	**45%**	45%	Financial services

(a) Nanyang Way Assauto

Summarised financial information in respect of Nanyang Way Assauto, representing amounts shown in its financial statements prepared in conformity with HKFRSs is as below:

	2022 RMB'000	2021 RMB'000
Current assets	**73,351**	76,338
Non-current assets	**86,658**	85,234
Current liabilities	**(117,159)**	(156,322)
Non-current liabilities	**(40,000)**	–
	2,850	5,250

17 INTERESTS IN ASSOCIATES *(Continued)*

(a) Nanyang Way Assauto *(Continued)*

	2022 RMB'000	2021 RMB'000
Revenue	**94,653**	93,894
(Loss)/profit and total comprehensive (loss)/income for the year	**(2,400)**	949
Proportion of the Group's ownership interest	**30%**	30%
Share of result attributable to the Group	**(720)**	284

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanyang Way Assauto recognised in the consolidated financial statements is as below:

	2022 RMB'000	2021 RMB'000
Net assets of Nanyang Way Assauto	**2,850**	5,250
Proportion of the Group's ownership interest	**30%**	30%
The Group's share of net assets	**855**	1,575

(b) Stirling Coleman

Summarised financial information in respect of Stirling Coleman, representing amounts shown in its financial statements prepared in conformity with HKFRSs is as below:

	2022 RMB'000	2021 RMB'000
Current assets	**4,811**	7,662
Non-current assets	**100**	363
Current liabilities	**(285)**	(579)
Non-current liabilities	**–**	(26)
	4,626	7,420

17 INTERESTS IN ASSOCIATES *(Continued)*

(b) Stirling Coleman *(Continued)*

	2022	2021
	RMB'000	RMB'000
Revenue	**3,283**	7,345
Loss and total comprehensive loss for the year	**(2,794)**	(862)
Proportion of the Group's ownership interest	**45%**	45%
Share of result attributable to the Group	**(1,258)**	(389)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Stirling Coleman recognised in the consolidated financial statements is as below:

	2022	2021
	RMB'000	RMB'000
Net assets of Stirling Coleman	**4,626**	7,420
Proportion of the Group's ownership interest	**45%**	45%
The Group's share of net assets	**2,081**	3,339
Consideration premium	**712**	712
Exchange realignment	**879**	(1,468)
The Group's share of net assets	**3,672**	2,583

17 INTERESTS IN ASSOCIATES *(Continued)*

(c) Summary of share of results of associates

For the year ended 31 December 2022	**Nanyang Way Assauto RMB'000**	**Stirling Coleman RMB'000**	**Total RMB'000**
The Group's share of loss and other comprehensive loss	**(720)**	**(1,258)**	**(1,978)**

For the year ended 31 December 2021	Nanyang Way Assauto RMB'000	Stirling Coleman RMB'000	Total RMB'000
The Group's share of profit/(loss) and other comprehensive income/(loss)	284	(389)	(105)

(d) Amount due from an associate

	31 December 2022 RMB'000	31 December 2021 RMB'000
Nanyang Way Assauto	**81,595**	70,097
Less : provision for impairment	**(288)**	–
	81,307	70,097

The receivable balance as at 31 December 2022 and 2021 had not past due.

Amount due from an associate is unsecured, interest-free, non-trade in nature and repayable on demand.

18 INTERESTS IN JOINT VENTURES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Cost of interests in joint ventures	456,680	501,680
Share of results and other comprehensive losses	(272,733)	(251,372)
Exchange realignment	5,774	10,187
	189,721	260,495
Less: provision for impairment	(49,277)	(36,415)
	140,444	224,080

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Proportion of ownership interest held by the Group 31 December 2022	31 December 2021	Principal activities
Zhuhai First Capital Education Investment Fund (Limited Partnership)* (珠海首控教育產業投資基金(有限合夥)) ("**Zhuhai Education**")	The PRC	45.47%	45.47%	Equity investment
KSI Education Ltd. ("**KSI Education**")	United Kingdom	43.95%	49%	Education services
Singapore Raffles Music College Pte. Ltd. ("**SRMC**")	Singapore	40%	40%	Education services
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)) ("**FC Wentou**")	The PRC	50.08%	50.08%	Equity investment

18 INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2022 and 2021 prepared in conformity with HKFRSs are as below:

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2022				
Current assets	**364,540**	**108,157**	**23,527**	**2,190**
– cash and cash equivalents	**4**	**8,035**	**11,005**	**2,190**
Non-current assets	**–**	**31**	**12,019**	**–**
Current liabilities	**(160,005)**	**(7,956)**	**(19,491)**	**–**
Non-current liabilities	**–**	**(8,450)**	**(12,601)**	**–**
	204,535	**91,782**	**3,454**	**2,190**
Revenue	**–**	**–**	**17,294**	**–**
(Loss)/profit and total comprehensive (loss)/income for the year	**(45,564)**	**(772)**	**(878)**	**93**
At 31 December 2021				
Current assets	555,478	114,056	14,348	2,097
– cash and cash equivalents	38	10,867	6,511	2,097
Non-current assets	–	31	10,755	–
Current liabilities	(206,379)	(7,469)	(10,640)	–
Non-current liabilities	–	(8,664)	(10,131)	–
	349,099	97,954	4,332	2,097
Revenue	–	–	13,934	–
Profit/(loss) and total comprehensive income/(loss) for the year	33,362	(6,712)	(2,860)	–

18 INTERESTS IN JOINT VENTURES *(Continued)*

Reconciliation of the above summarised financial information to the carrying amounts of the interests in the joint ventures recognised in the consolidated financial statements is as below:

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2022				
Net assets of each joint venture	204,535	91,782	3,454	2,190
Proportion of the Group's ownership interest in each joint venture	45.47%	43.95%	40%	50.08%
The Group's share of net assets of each joint venture	93,002	40,338	1,382	1,097
Consideration premium	–	–	8,867	–
Exchange realignment	–	(1,961)	(195)	–
Impairment loss	(12,862)	(21,232)	–	(15,183)
Adjustments (Note (a))	29,511	–	–	17,680
Carrying amount of the Group's interest in each joint venture	109,651	17,145	10,054	3,594
The Group's share of (loss)/profit in each joint venture	(20,718)	(339)	(351)	47

18 INTERESTS IN JOINT VENTURES *(Continued)*

Reconciliation of the above summarised financial information to the carrying amounts of the interests in the joint ventures recognised in the consolidated financial statements is as below: (Continued)

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2021				
Net assets of each joint venture	349,099	97,954	4,332	2,097
Proportion of the Group's ownership interest in each joint venture	45.47%	49%	40%	50.08%
The Group's share of net assets of each joint venture	158,735	47,997	1,733	1,050
Consideration premium	–	–	8,867	–
Exchange realignment	–	(1,402)	(810)	–
Impairment loss	–	(21,232)	–	(15,183)
Adjustments (Note (a))	29,511	–	–	14,814
Carrying amount of the Group's interest in each joint venture	188,246	25,363	9,790	681
The Group's share of profit/(loss) in each joint venture	11,720	(3,965)	(1,154)	–

(a) As at 31 December 2022 and 2021, the adjustment under Zhuhai Education and FC Wentou represented certain investment gains/losses arising from designated projects which are undertaken by other investment partners pursuant to partnership agreement and the Group agreed not to share the results in proportionate to its equity interest in the joint ventures. Other adjustments resulted from the capital withdrawals and injections by other investors, which influenced the proportion of the Group's ownership interest in Zhuhai Education.

18 INTERESTS IN JOINT VENTURES *(Continued)*

Summary of share of results of joint ventures:

For the year ended 31 December 2022	**Zhuhai Education RMB'000**	**KSI Education RMB'000**	**SRMC RMB'000**	**FC Wentou RMB'000**	**Total RMB'000**
The Group's share of (loss)/profit and other comprehensive (loss)/income	**(20,718)**	**(339)**	**(351)**	**47**	**(21,361)**

For the year ended 31 December 2021	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000	Total RMB'000
The Group's share of profit/(loss) and other comprehensive income/(loss)	11,720	(3,965)	(1,154)	–	6,601

Deemed disposal of interest in a joint venture

During the year ended 31 December 2022, a joint venture of the Group, Zhuhai Education changed registered shares. The Group's equity interest in Zhuhai Education was remain unchanged to 45.47%, which resulted in a loss on deemed disposal of interest in that joint venture of approximately RMB16,650,000.

19 INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Software RMB'000	Student roster RMB'000	Brand RMB'000	Total RMB'000
Cost						
At 1 January 2021	80,556	555	61,945	75,994	252,955	472,005
Discontinued operation	–	–	(50,605)	(75,994)	(152,829)	(279,428)
Exchange realignment	–	–	(135)	–	–	(135)
At 31 December 2021	80,556	555	11,205	–	100,126	192,442
Additions	**–**	**–**	**369**	**–**	**–**	**369**
Exchange realignment	**–**	**–**	**50**	**–**	**–**	**50**
At 31 December 2022	**80,556**	**555**	**11,624**	**–**	**100,126**	**192,861**
Accumulated amortisation and impairment						
At 1 January 2021	(26,820)	(555)	(12,574)	(48,343)	(101,914)	(190,206)
Charge for the year	(7,009)	–	(4,912)	–	–	(11,921)
Discontinued operations	–	–	10,711	48,343	101,914	160,968
Exchange realignment	–	–	51	–	–	51
At 31 December 2021	(33,829)	(555)	(6,724)	–	–	(41,108)
Charge for the year	**(7,009)**	**–**	**(1,371)**	**–**	**–**	**(8,380)**
Exchange realignment	**–**	**–**	**(91)**	**–**	**–**	**(91)**
At 31 December 2022	**(40,838)**	**(555)**	**(8,186)**	**–**	**–**	**(49,579)**
Carrying values						
At 31 December 2022	**39,718**	**–**	**3,438**	**–**	**100,126**	**143,282**
At 31 December 2021	46,727	–	4,481	–	100,126	151,334

19 INTANGIBLE ASSETS *(Continued)*

Amortisation expense of approximately RMB8,380,000 (2021: RMB11,921,000) has been expensed in administrative expenses.

The management regards brand ("**brand from Xinjiang Edukeys**") of RMB100,126,000 (2021: RMB100,126,000), without legal or contractual useful life, generated from the acquisition of Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司) ("**Xinjiang Edukeys**") has an indefinite useful life as the brand from Xinjiang Edukeys can be widely used without a defined period.

In 2021, the Group had conducted impairment assessment of "brand from Xinjiang Edukeys" as a result from acquisition of Xinjiang Edukeys and the methodology and assumptions used for impairment assessment were the same as those for impairment assessment of goodwill relevant to CGU Xinjiang Edukeys as disclosed in Note 20. In 2022, the Group had conducted impairment assessment of "brand from Xinjiang Edukeys" which has an indefinite useful life. The pre-tax discount rate is 12.95% (2021: 12.95%) and the long-term growth rate is 3% (2021: N/A). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The recoverable amount of Xinjiang Edukeys amounted to RMB218,593,000 as at 31 December 2022 (2021: RMB119,742,000).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the recoverable amount falls short of the carrying value.

20 GOODWILL

	2022 **RMB'000**	2021 RMB'000
Cost		
At 1 January and 31 December	**598,746**	598,746
Impairment		
At 1 January	**(598,746)**	(323,643)
Charge for the year	**–**	(275,103)
At 31 December	**(598,746)**	(598,746)
Carrying values		
At 31 December	**–**	–

20 GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill, tangible and intangible assets had been allocated to three CGUs and details are set out as below:

CGU Nanyang Cijan:	engages in manufacturing of automobile shock absorber
CGU Brilliant Rich:	engages in equity investment and provision of financial and advisory services
CGU Xinjiang Edukeys:	engages in development, operation and management of international education services

As at 31 December 2021, the management of the Group assessed the impairment on goodwill, tangible and intangible assets by reference to valuation prepared by an independent professional valuer.

The recoverable amounts of CGUs were determined based on value in use calculations. Value in use calculations used cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period.

20 GOODWILL *(Continued)*

The basis of the recoverable amounts of the other CGUs and their major underlying assumption are summarised below:

CGU Brilliant Rich

Given the remaining carrying amount of property, plant and equipment, right-of use assets and intangible assets were not significant as at 31 December 2021, the management of the Group did not consider any further impairment impact for the year ended 31 December 2021.

CGU Xinjiang Edukeys

Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the unit's past performance and management's expectations for the market development. During the year ended 31 December 2021, after considered the growing competition in business operation, particularly in the field of "Project of Global Access" international program, and increased in operational costs for catering market appetites, goodwill related to Xinjiang Edukeys amounting to RMB10,719,000 had been impaired. The recoverable amount of Xinjiang Edukeys amounted to RMB119,742,000 as at 31 December 2021. If the discount rate was changed to 15.95%, while other parameters remained constant, the recoverable amount of Xinjiang Edukeys would reduced to RMB83,307,000 and a further impairment on intangible assets, and property, plant and equipment in Xinjiang Edukeys, in aggregate, of approximately RMB350,000 would be recognised for the year ended 31 December 2021.

The following table sets out the key assumptions for the value in use calculation of the CGUs.

	CGU Xinjiang Edukeys
Pre-tax discount rate	
31 December 2021	12.95%
Long-term growth rate	
31 December 2021	N/A

As at 31 December 2021, cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry.

21 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**7,762**	7,762
Deferred tax liabilities	**(44,182)**	(45,934)
	(36,420)	(38,172)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following are the deferred tax assets/(liabilities) recognised and movements thereon during the current and prior year:

	Changes in fair values of financial instruments RMB'000	**Fair value changes of assets acquired through business combination** RMB'000	**Total** RMB'000
At 1 January 2021	7,762	(96,615)	(88,853)
Credited to profit or loss	–	1,752	1,752
Deconsolidation of subsidiaries	–	48,929	48,929
At 31 December 2021	7,762	(45,934)	(38,172)
Credit to profit or loss	**–**	**1,752**	**1,752**
At 31 December 2022	**7,762**	**(44,182)**	**(36,420)**
Analysed as:			
As at 31 December 2022			
To be recovered after than 12 months	**7,762**	**(44,182)**	**(36,420)**
As at 31 December 2021			
To be recovered after than 12 months	7,762	(45,934)	(38,172)

21 DEFERRED TAX *(Continued)*

As at 31 December 2022, the unused tax losses of the Group mainly comprise approximately RMB836,237,000 (2021: RMB766,239,000) will expire throughout to 2027 (2021: 2026), and RMB1,899,635,000 (2021: RMB1,891,584,000) can be carried forward indefinitely under PRC EIT and Hong Kong Profits Tax legislation, respectively. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC established subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. No group companies established in the PRC has distributable profits as at 31 December 2022 and 2021.

22 FINANCIAL ASSETS MEASURED AT FVTPL

	2022 RMB'000	2021 RMB'000
Financial assets measured at FVTPL	**293,878**	391,274
Analysed for reporting purposes as:		
– Current assets (Note (a))	**293,878**	391,274

(a) The financial assets measured at FVTPL classified under current assets at the end of each reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Listed equity securities:		
– Hong Kong	**74,603**	118,579
– The PRC	**142,627**	233,233
– Overseas	**10,623**	11,660
Unlisted investments:		
– Hong Kong	**538**	–
– The PRC	**65,487**	19,514
– Overseas	**–**	8,288
	293,878	391,274

22 FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

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

Financial assets measured at FVTPL	Main business	Number of shares held '000	% to shareholdings in the security	Fair value RMB'000	% to the Group's total assets	Investment costs RMB'000	Fair value changes RMB'000	Dividend income RMB'000
		As at 31 December 2022					For the year ended 31 December 2022	
BOCOM International (HK.3329)	Banking	7,471	0.27%	3,740	0.14%	30,457	–	–
北京知路研修教育科技有限公司	Education	176.5	15.00%	15,870	0.58%	12,000	2,989	–
深圳首中教育產業發展股權投資企業(有限合夥)	Education	41,759	14.56%	–	0%	41,760	–	–
MindChamps (SGX.CNE)	Education	12,056	4.99%	10,623	0.39%	31,615	–	–
Bojun Education (HK.1758)	Education	140,000	17.03%	52,337	1.90%	233,333	4,406	–
GUANGAN AAA (SHA.600979)	Utility	39,918	3.24%	131,728	4.79%	120,992	(23,666)	2,195
上海南壁新能源科技有限公司	Energy	1,000	10.00%	22,176	0.81%	3,000	19,176	–
Others	N/A	N/A	N/A	57,404	7.68%	130,016	(26,328)	840
				293,878		603,173	(23,423)	3,035

Financial assets measured at FVTPL	Main business	Number of shares held '000	% to shareholdings in the security	Fair value RMB'000	% to the Group's total assets	Investment costs RMB'000	Fair value changes RMB'000	Dividend income RMB'000
		As at 31 December 2021					For the year ended 31 December 2021	
SJW International Co., Ltd	Education	0.25	5%	8,288	0.27%	23,911	54	–
BOCOM International (HK.3329)	Banking	7,476	0.27%	19,943	0.65%	30,447	8,763	991
北京知路研修教育科技有限公司	Education	176.5	15%	12,881	0.42%	12,000	–	–
深圳首中教育產業發展股權投資企業(有限合夥)	Education	41,759	14.56%	–	0%	41,760	(41,760)	–
MindChamps (SGX.CNE)	Education	12,056	4.99%	11,660	0.38%	31,615	(4,592)	–
Bojun Education (HK.1758)	Education	150,000	18%	51,325	1.68%	250,000	(14,933)	–
VIRSCEND EDU (HK.1565)	Education	85,088	3%	18,703	0.61%	360,922	(131,729)	1,763
GUANGAN AAA (SHA.600979)	Utility	61,140	4.96%	221,327	7.24%	240,160	24,520	–
Listed equities held through First Capital Education Selected Fund	Various	N/A	N/A	3,430	0.11%	40,118	–	2,108
Listed equities held through First Capital Global Education Investment SP	Various	N/A	N/A	4,198	0.14%	14,266	–	425
Others	N/A	N/A	N/A	39,519	1.29%	153,379	(12,809)	345
				391,274		1,198,578	(172,486)	5,632

As at 31 December 2021, the Group's investment in certain suspended listed equity amounting to approximately RMB7,400,000 were transferred to one of the lenders of borrowings through repurchase agreements. As the Group had not transferred significant risks and rewards relating to the suspended listed equity, it continued to recognise the amount at its fair value and had recognised the cash received on the transfer and the corresponding liabilities as borrowings in the consolidated statement of financial position.

23 TRADE AND OTHER RECEIVABLES

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

The Group does not hold any collateral over these balances.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9 for trade receivables and bills receivables, whereas general approach was adopted for deposits and other receivables. Details of information about the exposure to credit risk and ECL for trade and other receivables are set out in Note 3.1(b).

(a) The credit term for sales of goods is 90 days and there is no credit term for the provision of services.

The following is an aged analysis of trade receivables presented based on invoice date, net of allowance for trade receivables (also approximate to the date of revenue recognition):

	2022 RMB'000	2021 RMB'000
0 to 90 days	**408,045**	391,973
91 to 180 days	**18,976**	23,377
181 to 365 days	**7,169**	–
Over 365 days	**13,334**	41
	447,524	415,391

23 TRADE AND OTHER RECEIVABLES (Continued)

(b) The balance represents 銀行承兑匯票 ("**banker's acceptance notes**"), i.e. time drafts accepted and guaranteed for payment by banks in the PRC. Those banks accepting the banker's acceptance notes, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such banker's acceptance notes. All bills received by the Group are with a maturity period of less than one year.

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

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

24 AMOUNTS DUE FROM JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Amounts due from joint ventures		
Zhuhai Education	142,231	205,240
KSI Education	4,094	4,197
SRMC	26	24
	146,351	209,461
Less: Provision for impairment	(6,828)	(12,304)
	139,523	197,157

The receivable balances as at 31 December 2022 and 2021 had not past due. The amounts are non-trade related, unsecured, non-interest bearing, and repayable on demand.

25 INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**21,710**	14,753
Work-in-progress	**6,303**	10,116
Finished goods	**119,116**	51,236
	147,129	76,105

At 31 December 2022, included in the carrying amount are provision of approximately RMB34,100,000 (2021: RMB22,946,000), which is determined with reference to the net realisable values of the inventory items.

Provision for impairment of approximately RMB11,154,000 (2021: reversal of provision for impairment of approximately RMB8,302,000) was made included in "cost of sales" during the year ended 31 December 2022.

Cost of inventories sold amounted to approximately RMB875,667,000 (2021: RMB888,983,000) for the year ended 31 December 2022.

26 LOANS AND INTERESTS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loans receivables	**4,467**	147,449
Interests receivables	**1,985**	43,970
	6,452	191,419
Less: allowance for loans and interests receivables	**(79)**	(155,156)
	6,373	36,263

The balances outstanding as at 31 December 2022 are of original maturity terms are 12 months (2021: from 6 months to 48 months). All loans receivables carry interests of 12% (2021: 8% to 16.8%) per annum.

27 SECURITY ACCOUNT BALANCES

As at 31 December 2022 and 2021, the security account balances represent deposits placed by the Group in security trading companies. The balances are unsecured, non-interest bearing and can be withdrawn at any time without penalty.

28 RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

As at 31 December 2022, bank balances carry interest at market rates ranging from 0.01% to 0.35% (2021: 0.01% to 0.55%) per annum.

As at 31 December 2022, included in the balances of restricted bank balances are (i) an aggregate amount of RMB44,402,000 (2021: RMB60,419,000) representing the customer deposits for trading securities, (ii) RMB194,273,000 (2021: RMB116,645,000) representing cash deposited with banks as pledge for the bills payable with an original maturity within one year issued to suppliers for the purchase of raw materials, and (iii) RMB10,000,000 (2021: RMB15,000,000) representing other restricted funds. As at 31 December 2022, restricted bank balances, carrying interest at market rates ranging 0.25% to 2.15% (2021: 0.30% to 2.80%) per annum.

The remittance of funds out of the PRC amounted to approximately RMB124,880,000 (2021: RMB140,663,000) is subject to foreign exchange restrictions imposed by the PRC government.

29 TRADE AND OTHER PAYABLES

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

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

	2022 RMB'000	2021 RMB'000
0 to 90 days	**380,936**	369,180
91 to 180 days	**84,327**	54,364
181 to 365 days	**22,749**	22,134
Over 365 days	**125,036**	131,718
	613,048	577,396

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

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

30 BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank borrowings	**539,900**	619,500
Notes and debentures	**775,955**	729,823
Other borrowings	**105,402**	201,965
Loans from government (Note a)	**65,717**	61,649
Loans from independent third parties (Note b)	**39,685**	140,316
	1,421,257	1,551,288
Unsecured and unguaranteed borrowings	**1,103,035**	1,159,041
Secured and unguaranteed borrowings	**318,222**	392,247
	1,421,257	1,551,288

(a) The loans are unsecured, interest-free and repayable in 2024. The purpose of the loan is to encourage the innovation and product development of the Group located in the PRC.

(b) The loans are unsecured, bearing interest range from 0% to 9% (2021: 0% to 12%) per annum and repayable within five years (2021: within five years).

The contractual maturity dates of borrowings are as follows:

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

30 BORROWINGS *(Continued)*

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	2022	2021
Variable-rate borrowings	**China loan prime rate +0.575% to +1.1375%**	China loan prime rate +1.00% to +1.1375%
Fixed-rate borrowings	**0% to 9%**	0% to 12.00%

The Group has pledged certain assets to secure loan facilities granted to the Group. The carrying values of the assets pledged are as follows:

	2022 **RMB'000**	2021 RMB'000
Property, plant and equipment	**–**	102,211
Financial assets measured at FVTPL	**201,266**	280,052
	201,266	382,263

At 31 December 2022, one of the shareholders of the Company, Wealth Max Holdings Limited has pledged the Company's shares with fair value amounting to approximately RMB1,983,000 (2021: RMB5,396,000) to the financial institutions for securing financial facilities granted to the Group.

As at 31 December 2022, certain borrowings became repayable on demand due to the breaching of covenants underlying the loan agreements with an aggregate amount of approximately RMB388,000,000 (2021: RMB366,000,000).

31 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES

On 14 December 2017 (the "**Issue Date**"), the Company issued HK$ denominated and HK$ settled convertible bonds at par with the aggregate principal amount of HK$800,000,000 with conversion price of HK$3.27 (subject to adjustment) per share (the "**Convertible Bonds**"). The Convertible Bonds was with maturity date on 13 December 2019 (the "**Maturity Date**") and the Company was bound to redeem at par on the Maturity Date. The conversion price was subject to downward adjustment for any future issue of Company's shares at a price less than 90% of the market price prior to the Convertible Bonds are redeemed, converted or purchased and cancelled.

The Convertible Bonds beared interest from (and including) the issued date at the rate of (a) 7% per annum for the period from and including the Issue Date up to and excluding the first anniversary of the Issue Date; and (b) 8% per annum for the period from the first anniversary of the Issue Date up to and including the Maturity Date, interest was calculated by reference to the principal amount thereof and payable semi-annually in arrear on 20 June and 20 December of each year, commencing with the first interest payment date falling on 20 June 2018.

The Convertible Bonds were secured by an account charge executed by Hong Kong Chuang Yue Co., Limited ("**Chuang Yue**") in favour of the bondholder.

Conversion at the option of the bondholder may occur at any time between the first anniversary of the Issue Date to the close of business on the date falling ten business days prior to the Maturity Date (both days inclusive) ("**Conversion Period**").

During the Conversion Period, any conversion notice raised by the bondholder was subject to acceptance by the Company. An additional 2% per annum simple interest will be imposed on original principal amount of the Convertible Bonds less the aggregate amount of all principal amounts which had been redeemed or converted should the Company refuses to accept the conversion notice from the bondholder.

The Convertible Bonds contained liability component, conversion option and conversion-veto option derivatives. The Company's conversion option and conversion-veto option were not closely related to the host liability component.

At the date of issue, the liability component was calculated based on the present value of the redemption amount and accrued interest at maturity. In subsequent periods, the debt component were carried at amortised cost using the effective interest method. The effective interest rate of the liability component prior to the Maturity Date was 10.39%.

The bondholder's conversion option and the Company's conversion-veto option were measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

31 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and the bondholder's conversion option and the Company's conversion-veto option in proportion to their relative fair values. Transaction cost amounting to approximately HK$392,000 relating to the bondholder's conversion option and the Company's conversion-veto option was charged to profit or loss immediately and included in other expenses. Transaction cost amounting to approximately HK$35,608,000 relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

The fair values of the Convertible Bonds were determined by the Directors with reference to a valuation report carried out by an independent valuer.

In December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million). On 21 February 2022, Champion Sense Global Limited ("**Champion Sense**") agreed to apply for withdrawal of the winding-up petition and the judge of High Court had made an order to dismiss the winding-up petition.

On 13 January 2022 the Company, Champion Sense and Principal Global Investment Limited (being the new bondholder to purchase the Convertible Bonds held by Champion Sense) ("**Principal Global**") entered into the framework agreement in relation to the reorganisation of the Convertible Bonds and the amendment and restatement agreement to change the maturity date from 13 December 2019 to 15 May 2023 and the conversion price from HK$16.35 per share to HK$0.188 per share, respectively, which were effective from 16 May 2022.

According to the Convertible Bonds purchase agreement signed between Champion Sense as vendor and Principal Global as purchaser on 13 January 2022 (the "**CB Purchase Agreement**"), Principal Global will acquire the Convertible Bonds by stages from Champion Sense in 18 months from the date of the CB Purchase Agreement. On 31 December 2022, the principal of the Convertible Bonds is HK$700,000,000. For the year ended 31 December 2022, the principal of HK$30,000,000 and HK$40,000,000 of the Convertible Bonds have been settled and converted to 212,710,000 shares, respectively.

The restructure of the Convertible Bonds are accounted for as substantial modification with loss on derecognition of liability component of RMB$167,000 recognised during the year ended 31 December 2022. The Company's conversion option and conversion-veto option are not closely related to the host liability component as the economic characteristics and risks of such features are different from the host liability and hence they are not closely related to the host liability. The effective interest rate of the liability component of the Convertible Bonds is approximately 22.7% per annum.

31 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

The movement of the debt component and derivative financial liabilities of the Convertible Bonds for the year are set out as below:

	Financial liabilities at amortised cost – debt component RMB'000	Financial liabilities at fair value through profit or loss – derivative financial liabilities RMB'000	Total RMB'000
At 1 January 2021	751,692	–	751,692
Interest expenses (Note 11)	95,903	–	95,903
Exchange realignment	(22,921)	–	(22,921)
At 31 December 2021 and 1 January 2022	824,674	–	824,674
Interest expenses (Note 11)	**110,372**	**–**	**110,372**
Repayment	**(25,767)**	**–**	**(25,767)**
Interest paid	**(19,094)**	**–**	**(19,094)**
Derecognition upon substantial modification	**(867,444)**	**–**	**(867,444)**
Recognition of new convertible bonds upon substantial modification	**797,549**	**70,062**	**867,611**
Conversion	**(30,402)**	**(3,773)**	**(34,175)**
Waiver of interest	**(143)**	**-**	**(143)**
Fair value change	**–**	**(62,216)**	**(62,216)**
Exchange realignment	**70,605**	**163**	**70,768**
At 31 December 2022	**860,350**	**4,236**	**864,586**

32 DEFERRED INCOME

	Government grants RMB'000
At 1 January 2021	54,645
Discontinued operation	(280)
Additions	36,819
Utilisation	(37,217)
At 31 December 2021	53,967
Utilisation	**(13,377)**
At 31 December 2022	**40,590**

	2022 RMB'000	2021 RMB'000
Analysed for reporting purposes as:		
– Current liabilities	**5,433**	5,433
– Non-current liabilities	**35,157**	48,534
	40,590	53,967

The government grants mainly represented amounts designated for the expenditure on development of the recycling and purifying facilities received in 2009, and the amounts received in relation to acquisition of certain plant and equipment, which were recorded as deferred income in the consolidated statement of financial position and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

33 PROVISIONS

	Warranty provision RMB'000
At 1 January 2021	30,033
Additions	45,788
Utilisation	(26,314)
At 31 December 2021 and 1 January 2022	49,507
Additions	**33,342**
Utilisation	**(26,764)**
At 31 December 2022	**56,085**

The warranty provision represents management's best estimate of the Group's liability under an average warranty period of two years granted to customers, based on prior experience relating to defective products claims.

34 SHARE CAPITAL

	Number of shares	Share capital HK$	Par value per Shares HK$
Authorised:			
At 1 January 2021	50,000,000,000	1,000,000,000	0.02
Share Consolidation (Note a)	(40,000,000,000)	–	N/A
At 31 December 2021 and 2022	10,000,000,000	1,000,000,000	0.1
Issued and fully paid:			
At 1 January 2021	5,026,892,000	100,537,840	0.02
Issue of Shares (Note b)	466,800,000	9,336,000	0.02
Issue of Shares (Note c)	227,000,000	4,540,000	0.02
Share Consolidation (Note a)	(4,576,553,600)	–	N/A
At 20 August 2021	1,144,138,400	114,413,840	0.10
Issue of Shares (Note d)	201,061,600	20,106,160	0.10
At 31 December 2021	1,345,200,000	134,520,000	0.10
Issue of Shares (Note e)	**106,370,000**	**10,637,000**	**0.10**
Issue of Shares (Note f)	**106,340,000**	**10,634,000**	**0.10**
Issue of Shares (Note g)	**164,750,000**	**16,475,000**	**0.10**
At 31 December 2022	**1,722,660,000**	**172,266,000**	**0.10**

34 SHARE CAPITAL *(Continued)*

Notes:

a) On 20 August 2021, every five issued and unissued existing Shares of par value of HK$0.02 each in the share capital of the Company be consolidated into one consolidated Share of par value of HK$0.10 each.

b) On 21 June 2021, 466,800,000 Shares were allotted and issued by way of consideration issue for the purpose of capitalising outstanding debts of the Group.

c) On 21 June 2021, 227,000,000 Shares were allotted and issued by way of top-up placing for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

d) On 29 November 2021, 201,061,600 Shares were allotted and issued by way of placement for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

e) On 16 June 2022, 106,370,000 Shares were allotted and issued way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.

f) On 13 July 2022, 106,340,000 Shares were allotted and issued way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.

g) On 19 July 2022, 164,750,000 Shares were allotted and issued by way of consideration issue for the purpose of capitalising outstanding debts of the Group.

	2022 **RMB'000**	2021 RMB'000
Share capital presented in consolidated statement of financial position	**144,631**	112,290

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Disposal of 深圳首控國際電子商務有限公司 and its subsidiaries

During the year ended 31 December 2021, the Group entered into an agreement to dispose of its equity interest in 深圳首控國際電子商務有限公司 for RMB2,800,000. The purpose of the disposal is to generate cash for the expansion of the Group's other business. The disposal was completed on 31 October 2021, on which date the Group lost control of 深圳首控國際電子商務有限公司 and a gain of approximately RMB7,134,000 arising on disposal was resulted.

Analysis of assets and liabilities of 深圳首控國際電子商務有限公司 over which control was lost:

	RMB'000
Right-of-use assets	646
Bank balances and cash	1,118
Trade and other receivables	4,301
Trade and other payables	(9,666)
Lease liabilities	(733)
Net liabilities disposal of	(4,334)

	RMB'000
Consideration received	2,800
Less: Share of net liabilities disposal of	4,334
Gain on disposal of 深圳首控國際電子商務有限公司	7,134

	RMB'000
Cash consideration	2,800
Less: bank balances and cash disposal of	(1,118)
Net cash inflows on disposal of 深圳首控國際電子商務有限公司	1,682

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of 上海浙減汽車懸架有限公司

During the year ended 31 December 2022, the Group entered into an agreement to dispose of its equity interest in 上海浙減汽車懸架有限公司 of approximately RMB4,040,000. The purpose of the disposal is to generate cash for the expansion of the Group's other business. The disposal was completed on 2 August 2022, on which date the Group lost control of 上海浙減汽車懸架有限公司 and a gain of approximately RMB3,600,000 arising on disposal was resulted.

Analysis of assets and liabilities of 上海浙減汽車懸架有限公司 over which control was lost:

	RMB'000
Property, plant and equipment (Note 15)	225
Trade and other receivables	42,693
Bank balances and cash	599
Trade and other payables	(41,260)
Net assets disposal of	2,257

	RMB'000
Consideration received	4,040
Less: Share of net assets disposal of	(2,257)
Add:	
Non-controlling interests	1,213
Fair value of remaining 6.01% equity interest held by the Group	604
Gain on disposal of 上海浙減汽車懸架有限公司	3,600

	RMB'000
Cash consideration	4,040
Less: bank balances and cash	(599)
Net cash inflows on disposal of 上海浙減汽車懸架有限公司	3,441

36 OTHER COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of plant and machinery and construction costs		
– Contracted for but not provided in the consolidated financial statements	**28,175**	3,284

37 RELATED PARTY TRANSACTIONS

No transactions with related parties disclosed elsewhere in the consolidated financial statements and the remuneration of directors and other members of key management as disclosed in Note 10.

38 FINANCIAL INSTRUMENTS BY CATEGORIES

		2022 RMB'000	2021 RMB'000
Financial assets			
Amounts due from joint ventures	At amortised cost	**139,523**	197,157
Amount due from an associate	At amortised cost	**81,307**	70,097
Trade and other receivables	At amortised cost	**723,156**	778,607
Loans and interests receivables	At amortised cost	**6,373**	36,263
Financial assets measured at FVTPL	FVTPL	**293,878**	391,274
Security account balances	At amortised cost	**9**	7,732
Restricted bank balances	At amortised cost	**248,675**	192,064
Bank balances and cash	At amortised cost	**161,356**	220,364
Financial liabilities			
Trade and other payables	At amortised cost	**1,289,757**	1,250,221
Borrowings	At amortised cost	**1,421,257**	1,551,288
Convertible bonds	At amortised cost	**860,350**	824,674
Derivative financial liabilities	FVTPL	**4,236**	–

39 DISCONTINUED OPERATIONS

As stated in Note 2.1, due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the Consolidated Affiliated Entities through Contractual Agreements.

On 14 May 2021, the Implementation Regulations were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Business were no longer enforceable from 1 September 2021. Management assessed the implications of this new regulation and concluded that, based on the facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Business had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Business. Accordingly, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2021.

The net assets relating to the Affected Business were RMB280,372,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Business was recognised during the year and included in the losses from discontinued operations.

39 DISCONTINUED OPERATIONS *(Continued)*

The assets and liabilities relating to the Affected Business as at 31 August 2021 were set out as below:

	As at 31 August 2021 RMB'000
ASSETS	
Non-current assets	
Property, plant and equipment	273,619
Right-of-use assets	21,424
Intangible assets	50,923
Total non-current assets	345,966
Current assets	
Inventories	1,848
Trade and other receivables	422,215
Financial assets measured at FVTPL	23,619
Bank balances and cash	181,623
Total current assets	629,305
Total assets	975,271
LIABILITIES	
Non-current liabilities	
Lease liabilities	15,472
Deferred income	147
Long term payables	20,884
Contract liabilities	206,691
Total non-current liabilities	243,194
Current liabilities	
Trade and other payables	219,393
Borrowings – due within one year	9,823
Lease liabilities	239
Income tax payable	49,299
Deferred income	80
Contract liabilities	172,871
Total current liabilities	451,705
Total liabilities	694,899
Net assets	280,372

39 DISCONTINUED OPERATIONS *(Continued)*

Discontinued operations

Consolidated statement of profit or loss and comprehensive income	For the period from 1 January 2021 to 31 August 2021 RMB'000
Revenue	219,133
Cost of sales/services	(135,870)
Gross profit	83,263
Other income and expenses	33,185
Other gains, net	692
ECL, net of reversal	(531)
Selling and distribution expenses	(14,627)
Administrative expenses	(58,312)
Operating profit	43,670
Finance costs	(7,759)
Profit before income tax	35,911
Income tax expense	(5,615)
Profit for the year before one-off losses upon deconsolidation of the Affected Business	30,296
Loss on deconsolidation of Affected Business	(247,212)
Loss for the year	(216,916)

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from/(used in) operations

	Notes	2022 RMB'000	2021 RMB'000
Loss before income tax		**(419,909)**	(887,309)
Adjustments for:			
Amortisation of intangible assets	19	**8,380**	11,921
Depreciation of property, plant and equipment	15	**47,034**	49,438
Depreciation of right-of-use assets	16(i)	**13,924**	14,976
Losses on disposal of property, plant and equipment	8	**1,627**	4,479
Fair value changes of financial assets measured at FVTPL	22(b)	**23,423**	172,486
Fair value changes of derivative financial liabilities	31	**(62,216)**	–
Day one fair value loss on issue of convertible bonds		**167**	–
Government grants		**(13,377)**	(678)
Provision of warranty		**33,342**	45,791
Interest income	7	**(13,680)**	(21,006)
Interest expense	11	**198,278**	197,445
Waiver of convertible bonds interest		**(143)**	–
Dividend income from financial assets measured at FVTPL	8	**(3,035)**	(5,632)
Written off of trade receivables	8	**-**	82,035
Impairment loss recognised in respect of interests in joint ventures	18	**12,862**	21,232
Share of results of joint ventures	18	**21,361**	(6,601)
Share of results of associates	17(c)	**1,978**	105
Provision for/(reversal of provision for) impairment of inventories	25	**11,154**	(8,302)
ECL, net of reversal		**16,192**	18,919
Provision for impairment of goodwill		**–**	275,103
Provision for impairment of property, plant and equipment		**–**	104,000
Gain on disposal of a subsidiary	8	**(3,600)**	–
Loss on deemed disposal of a joint venture	8	**16,650**	–
Movement in exchange difference		**168,981**	(139,572)

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Net cash generated from/(used in) operations (Continued)

	2022 RMB'000	2021 RMB'000
Operating cash flows before movements in working capital	59,393	(219,277)
Changes in working capital:		
Inventories	(82,178)	25,596
Trade and other receivables	57,212	28,077
Loans and interests receivables	26,434	113,283
Financial assets measured at FVTPL	–	85,071
Contingent consideration receivables	–	7,759
Restricted bank balances	(56,611)	(41,182)
Trade and other payables	80,796	289,701
Contract liabilities	(8,664)	(333,666)
Long term payables	–	(24,352)
Provisions	(26,764)	(26,314)
Cash generated from/(used in) operations	49,618	(95,304)

(b) Net debt reconciliation

	Amount due to a joint venture RMB'000	Borrowings (Note (i)) RMB'000	Convertible bonds (including derivative financial liabilities) (Note (ii)) RMB'000	Amount due to an associate RMB'000	Lease liabilities (Note (iii)) RMB'000	Long term payables RMB'000	Total RMB'000
At 1 January 2021	1,903	1,543,659	751,692	6,631	29,901	22,766	2,356,552
Financing cash flows	–	(93,698)	–	–	(27,801)	–	(121,499)
Finance cost recognised (Note 11)	–	101,328	95,903	–	214	–	197,445
Non-cash changes	(1,903)	–	–	(6,631)	11,495	(22,766)	(19,805)
Exchange realignment	–	(1)	(22,921)	–	–	–	(22,922)
At 31 December 2021 and 1 January 2022	–	1,551,288	824,674	–	13,809	–	2,389,771
Financing cash flows	–	(169,407)	(44,861)	–	(10,447)	–	(224,715)
Finance cost recognised (Note 11)	–	87,562	110,372	–	344	–	198,278
Non-cash changes	–	(67,466)	(96,367)	–	4,234	–	(159,599)
Exchange realignment	–	19,280	70,768	–	–	–	90,048
At 31 December 2022	–	1,421,257	864,586	–	7,940	–	2,293,783

Notes:

i Non-cash change represents allotted and issued shares by way of consideration issue for the purpose of capitalising outstanding debts of the Group.

ii Non-cash changes represent conversion of convertible bond and fair value change of derivative financial liabilities.

iii Non-cash change represents addition of lease liabilities.

41 SHARE OPTION SCHEME/SHARE-BASED PAYMENT

In June 2021, the Company terminated a share option scheme adopted by October 2011 (the "**Share Option Scheme 2011**") and approved and adopted a share option scheme (the "**Share Option Scheme 2021**") which will remain in force for a period of 10 years from the date of its adoption. Details of the Share Option Scheme 2021 were set out in section titled "Share Option Scheme" in the annual report for the year ended 31 December 2021.

During the years ended 31 December 2022 and 2021, no share options was granted under the Share Option Scheme 2021 by the Company. As at 31 December 2022, 10,000,000 share options granted under the Share Option Scheme 2011 were outstanding and no share options under the Share Option Scheme 2021 were outstanding.

The table below discloses movement of share options granted under the Share Option Scheme 2011:

	Number of share options
Outstanding as at 1 January 2021	50,000,000
Upon share consolidation become effective	(40,000,000)
Outstanding as at 31 December 2021 and 2022	10,000,000

42 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and principal place of operation	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group 2022	2021	Principal activities	Legal form
Beijing Edukeys International Management Consulting Company Limited* (北京中際育才國際管理顧問有限公司)	The PRC 23 May 2008	RMB3,000,000	**100%**	100%	Education service	Domestic limited liability company
CFCG Investment Partners International (Singapore) PTE. LTD.	The Singapore 24 May 2016	SGD2,000,000	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
First Capital Education Investment (Shenzhen) Company Limited* (首控教育投資(深圳)有限公司)	The PRC 9 March 2016	RMB100,000,000	**100%**	100%	Investment holding	Domestic limited liability company
First Capital Finance Limited	Hong Kong 29 January 2015	HK$10,000,000	**100% (directly)**	100% (directly)	Credit financing	Private limited liability company
First Capital Financial Group Limited	The BVI 28 November 2012	US$1	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
First Capital International Finance Limited	Hong Kong 25 February 2016	HK$59,000,000	**100%**	100%	Financial advisory	Private limited liability company
First Capital International Investments Holdings Limited	Hong Kong 23 September 2015	HK$100,000,000	**100%**	100%	Investment holding	Private limited liability company
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)	The PRC 23 December 2016	US$2,000,000	**100%**	100%	Fund management	Domestic limited liability company

42 SUBSIDIARIES *(Continued)*

(a) Particulars of the principal subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and principal place of operation	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group 2022	2021	Principal activities	Legal form
First Capital Securities Limited	Hong Kong 23 July 2015	HK$300,000,000	**100%**	100%	Dealing and underwriting in Securities	Private limited liability company
Guang Da (China) Automotive Components Holdings Limited ("**Guang Da**")	Hong Kong 14 June 2010	HK$92,000,740	**74%**	74%	Investment holding	Private limited liability company
Nanyang Cijan	The PRC 23 June 2005	HK$320,000,000	**46.25%**	46.25%	Research, development and manufacture of automobile shock absorber and suspension system products	Foreign invested limited liability company
New Momentum Asset Management Limited (formerly known as First Capital Asset Management Limited)	Hong Kong 4 June 2014	HK$43,000,000	**100%**	100%	Asset Management	Private limited liability company
Ordos Cijan Auto Shock Absorber Company Limited* (鄂爾多斯市浙減汽車減振器有限公司)	The PRC 14 August 2012	RMB10,000,000	**46.25%**	46.25%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Shanghai Shenlian Investment Management Company Limited* （上海申聯投資管理有限公司）	The PRC 30 March 2007	RMB2,000,000	**100%**	100%	Investment holding	Domestic limited liability company

42 SUBSIDIARIES *(Continued)*

(a) Particulars of the principal subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and principal place of operation	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group 2022	2021	Principal activities	Legal form
Shenzhen First Capital International Business Consulting Limited* (深圳首控國際商務諮詢有限公司)	The PRC 22 April 2015	HK$50,000,000	**100%**	100%	Immigration consulting business	Foreign invested limited liability company
Sichuan Yujiage Hotel Management Company Limited* （四川裕嘉閣酒店管理有限公司）	The PRC 1 August 2012	RMB120,000,000	**100%**	100%	Investment holding	Domestic limited liability company
Tianjin Shuze Corporate Management Company Limited (formerly known as First Capital Fund Management Company Limited)* (天津書澤企業管理有限公司)	The PRC 14 September 2012	RMB500,000,000	**100%**	100%	Corporate management	Domestic limited liability company
Way Assauto S.r.l.	Italy 21 June 2011	Euro 110,000	**46.25%**	46.25%	Research, development of automobile shock absorber products	Private limited liability company
Wuxi First Capital Equity Investment Fund Management Center (Limited Partnership) (formerly known as Wuxi Guolian First Capital Equity Investment Fund Centers (Limited Partnership))* (無錫首控股權投資基金管理中心（有限合夥）)	The PRC 26 April 2016	RMB318,000,000	**100%**	100%	Equity investment	Limited partnership
Xinjiang Edukeys	The PRC 29 November 2016	RMB5,000,000	**100%**	100%	Education service	Domestic limited liability company

None of the above subsidiaries had issued any debt securities during the years or at the end of reporting period.

Except for the subsidiaries registered in the BVI, whose mainly operation places are in Hong Kong, the remaining entities' mainly operation places are the same as their registration places.

* The English name is for identification purpose only.

42 SUBSIDIARIES *(Continued)*

(b) Material non-wholly owned subsidiaries

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment	Proportion of ownership and voting rights held by non-controlling interest		Profit/(loss) (for the year allocated to non-controlling interest		Accumulated non-controlling interest	
		2022	2021	**2022**	2021	**2022**	2021
		RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guang Da	The PRC	**53.75%**	53.75%	**1,354**	(157,733)	**27,125**	25,709
Individually immaterial subsidiaries with non-controlling interests				**(194)**	(11,715)	**43,286**	44,870
Total				**1,160**	(169,448)	**70,411**	70,579

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination.

	Guang Da	
	As at 31 December 2022	As at 31 December 2021
	RMB'000	RMB'000
Current assets	**1,192,217**	1,076,336
Non-current assets	**748,846**	611,610
Current liabilities	**(1,635,887)**	(1,512,690)
Non-current liabilities	**(339,079)**	(211,794)
Equity	**(61,028)**	(62,247)
Non-controlling interests	**27,125**	25,709

42 SUBSIDIARIES *(Continued)*

(b) Material non-wholly owned subsidiaries *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination. (Continued)

	Guang Da	
	2022	2021
	RMB'000	RMB'000
Revenue	**1,163,517**	1,014,706
Profit/(loss) for the year	**2,520**	(183,916)
Profit/(loss) attributable to		
– owners of the Company	**1,166**	(85,061)
– non-controlling interests	**1,354**	(98,855)
Other comprehensive income attributable to		
– owners of the Company	**53**	3,941
– non-controlling interests	**62**	4,580
Total comprehensive income/(loss) attributable to		
– owners of the Company	**1,219**	(81,120)
– non-controlling interests	**1,416**	(94,275)

43 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	16	13
Right-of-use assets	138	505
Interests in subsidiaries	54,805	54,805
Interests in joint ventures	27,206	46,595
Other receivables	–	10,334
Amounts due from subsidiaries	638,544	781,560
	720,709	893,812
Current assets		
Amount due from a joint venture	4,042	–
Other receivables	3,260	104,884
Financial assets measured at FVTPL	26,594	159,022
Security account balances	7	466
Bank balances and cash	891	4,027
	34,794	268,399
Total assets	755,503	1,162,211
LIABILITIES		
Non-current liabilities		
Borrowings – due after one year	262,943	280,963
Lease liabilities	–	508
	262,943	281,471
Current liabilities		
Other payables	42,042	39,791
Amounts due to subsidiaries	147,581	136,775
Borrowings – due within one year	549,563	576,665
Convertible bonds	860,350	824,674
Derivative financial liabilities	4,236	–
Lease liabilities	140	–
	1,603,912	1,577,905
Total liabilities	1,866,855	1,859,376
Total assets less current liabilities	(848,409)	(415,694)
Net liabilities	(1,111,352)	(697,165)

43 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	Notes	**2022 RMB'000**	2021 RMB'000
OWNERS' EQUITY			
Share capital	34	**144,631**	112,290
Reserves	43(b)	**(1,255,983)**	(809,455)
		(1,111,352)	(697,165)

The statement of financial position of the Company was approved by the board of directors of the Company on 29 March 2023 and were signed on its behalf.

Dr. Wilson SEA	**Dr. ZHU Huanqiang**
Director	*Director*

43 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	4,036,480	4,360	(17,018)	(4,083,489)	(59,667)
Loss for the year	–	–	–	(730,964)	(730,964)
Exchange difference arising on translation of presentation currency	–	–	(50,319)	–	(50,319)
Total comprehensive loss	–	–	(50,319)	(730,964)	(781,283)
Transactions with owners in their capacity as owners:					
Issuance of shares from top-up subscription	4,719	–	–	–	4,719
Issuance of shares from debt capitalisation	9,703	–	–	–	9,703
Issuance of shares	17,073	–	–	–	17,073
Set off against accumulated losses	(4,036,480)	–	–	4,036,480	–
At 31 December 2021	31,495	4,360	(67,337)	(777,973)	(809,455)
Loss for the year	**–**	**–**	**–**	**(597,518)**	**(597,518)**
Exchange difference arising on translation of presentation currency	**–**	**–**	**81,690**	**–**	**81,690**
Total comprehensive income/(loss)	**–**	**–**	**81,690**	**(597,518)**	**(515,828)**
Transactions with owners in their capacity as owners:					
Issuance of share capital (Note 34)	**53,310**	**–**	**–**	**–**	**53,310**
Issuance of shares upon conversion of convertible bonds (Note 34)	**15,990**	**–**	**–**	**–**	**15,990**
At 31 December 2022	**100,795**	**4,360**	**14,353**	**(1,375,491)**	**(1,255,983)**

44 COMPARATIVE FIGURES

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

Financial Summary

A summary of the published consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
Revenue	**1,199,912**	1,093,830	1,029,966	1,436,037	1,810,797
Cost of sales/services	**(997,802)**	(923,539)	(849,160)	(1,075,822)	(1,305,351)
Gross profit	**202,110**	170,291	180,806	360,215	505,446
Other income and expenses, other gains and losses	**(114,720)**	(134,772)	23,997	(947,673)	(911,453)
Expected credit losses/impairment losses, net of reversal	**(16,192)**	(18,919)	(103,176)	(196,937)	(61,303)
Impairment losses on goodwill, tangible and intangible assets	**–**	(379,103)	(48,467)	(271,396)	–
Impairment losses on interests in joint ventures	**(12,862)**	(21,232)	(15,183)	–	–
Selling and distribution expenses	**(55,348)**	(114,636)	(42,357)	(125,759)	(108,862)
R&D expenditure	**(64,509)**	(59,903)	(53,992)	(51,327)	(48,935)
Administrative expenses	**(136,771)**	(138,086)	(197,320)	(343,317)	(386,376)
Finance costs	**(198,278)**	(197,445)	(206,821)	(285,991)	(245,815)
Share of results in associates	**(1,978)**	(105)	(1,345)	1,231	222
Share of results in joint ventures	**(21,361)**	6,601	10,856	(397,737)	(92,405)
Loss before tax	**(419,909)**	(887,309)	(453,002)	(2,258,691)	(1,349,481)
Taxation	**333**	1,711	6,090	1,491	(6,890)
Loss for the year from continuing operations	**(419,576)**	(885,598)	(446,912)	(2,257,200)	(1,356,371)
(Loss)/profit for the year from discontinued operations, net of tax	**–**	(216,916)	44,684	–	–
Loss for the year	**(419,576)**	(1,102,514)	(402,228)	(2,257,200)	(1,356,371)
Other comprehensive income/(expense) for the year, net of income tax	**80,461**	(126,883)	(99,754)	69,528	148,076
Total comprehensive expense for the year	**(339,115)**	(1,229,397)	(501,982)	(2,187,672)	(1,208,295)

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(420,736)**	(968,233)	(373,724)	(2,187,830)	(1,386,813)
Non-controlling interests	**1,160**	(134,281)	(28,504)	(69,370)	30,442
	(419,576)	(1,102,514)	(402,228)	(2,257,200)	(1,356,371)
Loss per Share# – Basic (RMB)	**(0.28)**	(0.88)	(0.37)	(2.18)	(1.41)
– Diluted (RMB)	**(0.28)**	(0.88)	(0.37)	(2.18)	(1.41)

The weighted average number of ordinary Shares for the purpose of calculating the basic and diluted loss per Share has been adjusted with consideration of the effect of the Share Consolidation which became effective on 20 August 2021.

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**904,832**	1,013,994	2,046,263	2,786,759	4,025,140
Current assets	**1,846,366**	2,042,220	2,408,962	3,025,834	5,774,672
Total assets	**2,751,198**	3,056,214	4,455,225	5,812,593	9,799,812
Current liabilities	**(3,137,876)**	(3,281,057)	(3,204,084)	(3,743,467)	(4,958,244)
Total assets less current liabilities	**(386,678)**	(224,843)	1,251,141	2,069,126	4,841,568
Non-current liabilities	**(640,174)**	(563,322)	(729,799)	(1,009,078)	(1,501,396)
Total (deficit in equity)/equity	**(1,026,852)**	(788,165)	521,342	1,060,048	3,340,172
Non-controlling interests	**70,411**	70,579	328,045	397,341	577,123
Owners of the Company	**(1,097,263)**	(858,744)	193,297	662,707	2,763,049

Glossary

In this annual report (other than the Independent Auditor's Report and the consolidated financial statements), unless the context otherwise requires, the following expressions shall have the meanings set out below:

"2022 Financial Year"	the financial year ended 31 December 2022
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Auditor"	the auditor of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Bojun Education"	Bojun Education Company Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 1758
"Chairman"	the chairman of the Board
"Champion Sense"	Champion Sense Global Limited, a company incorporated in the British Virgin Islands with limited liability, is indirectly non-wholly owned by China Huarong Asset Management Co., Ltd.
"China" or "PRC"	the People's Republic of China which for the purpose of this annual report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chuang Yue"	Hongkong Chuang Yue Co., Limited, a company incorporated in Hong Kong with limited liability, is a Shareholder and is indirectly wholly-owned by Mr. Liu Kun
"Co-CEO(s)" or "Co-Chief Executive Officer(s)"	the co-chief executive officer(s) of the Company
"Company" or "CFCG"	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 1269
"Company Secretary"	the company secretary of the Company

"Convertible Bonds"	the convertible bonds in the principal amount of HK$800,000,000 issued by the Company on 14 December 2017, as revised by the amendment and restatement agreement dated 13 January 2022
"Corporate Communications"	the documents issued or to be issued by the Company for the information or action of holders of any of the Company's securities as defined in Rule 1.01 of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"ESG"	environmental, social and governance
"FC International Finance"	First Capital International Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"FC Securities"	First Capital Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Fuqing Xishan"	Fuqing Xishan School* (福清西山學校)
"FVTPL"	fair value through profit or loss
"Group"	the Company and its subsidiaries
"High Court"	the High Court of Hong Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company

"Implementation Regulations"	the Implementation Regulations of the Private Education Promotion Law of the People's Republic of China* (《中華人民共和國民辦教育促進法實施條例》) with effect from 1 September 2021
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons and not a connected person of the Company
"INED(s)"	the independent non-executive Director(s)
"IPO"	initial public offering
"Jiangxi Xishan"	Jiangxi Xishan School* (江西省西山學校)
"K-12"	from kindergarten through twelfth grade, including kindergarten, primary school, middle school and high school
"Latest Practicable Date"	18 April 2023, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Linksfield"	Linksfield CPA Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum and Articles of Association"	Memorandum of Association and Articles of Association
"Memorandum of Association"	memorandum of association of the Company, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC

"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	the share award scheme adopted by the Board on 5 July 2022
"Share Consolidation"	the consolidation of every five issued and unissued shares of the Company of HK$0.02 each into one consolidated share of the Company of HK$0.10 each effective on 20 August 2021
"Share Option Scheme 2011"	the share option scheme adopted by the Company pursuant to the ordinary resolution of the Shareholders passed on 19 October 2011 and terminated on 9 June 2021
"Share Option Scheme 2021"	the share option scheme adopted by the Company pursuant to the ordinary resolution of the Shareholders passed on 9 June 2021
"Shareholder(s)"	the holder(s) of the Share(s)
"Share(s)"	(i) the ordinary share(s) of HK$0.02 each in the issued and unissued share capital of the Company prior to 20 August 2021, or (ii) the consolidated ordinary share(s) of HK$0.10 each in the issued and unissued share capital of the Company with effect from 20 August 2021, as the case may be
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"United States"	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Wealth Max"	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is a Shareholder and is wholly-owned by Dr. Wilson Sea, the Chairman and an executive Director

"Xishan Schools"	collectively, Fuqing Xishan, Xishan Vocational School, Jiangxi Xishan and Xishan Education Group* (西山教育集團)
"Xishan Vocational School"	Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校)
"Yinghua School"	Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)
"%"	per cent

* *For identification purpose only*

CFCG

中國首控集團有限公司

China First Capital Group Limited