INVESTING IN EDUCATION TODAY FOR A BETTER TOMORROW

China First Capital Group Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 1269

ANNUAL REPORT 2016

CFCG

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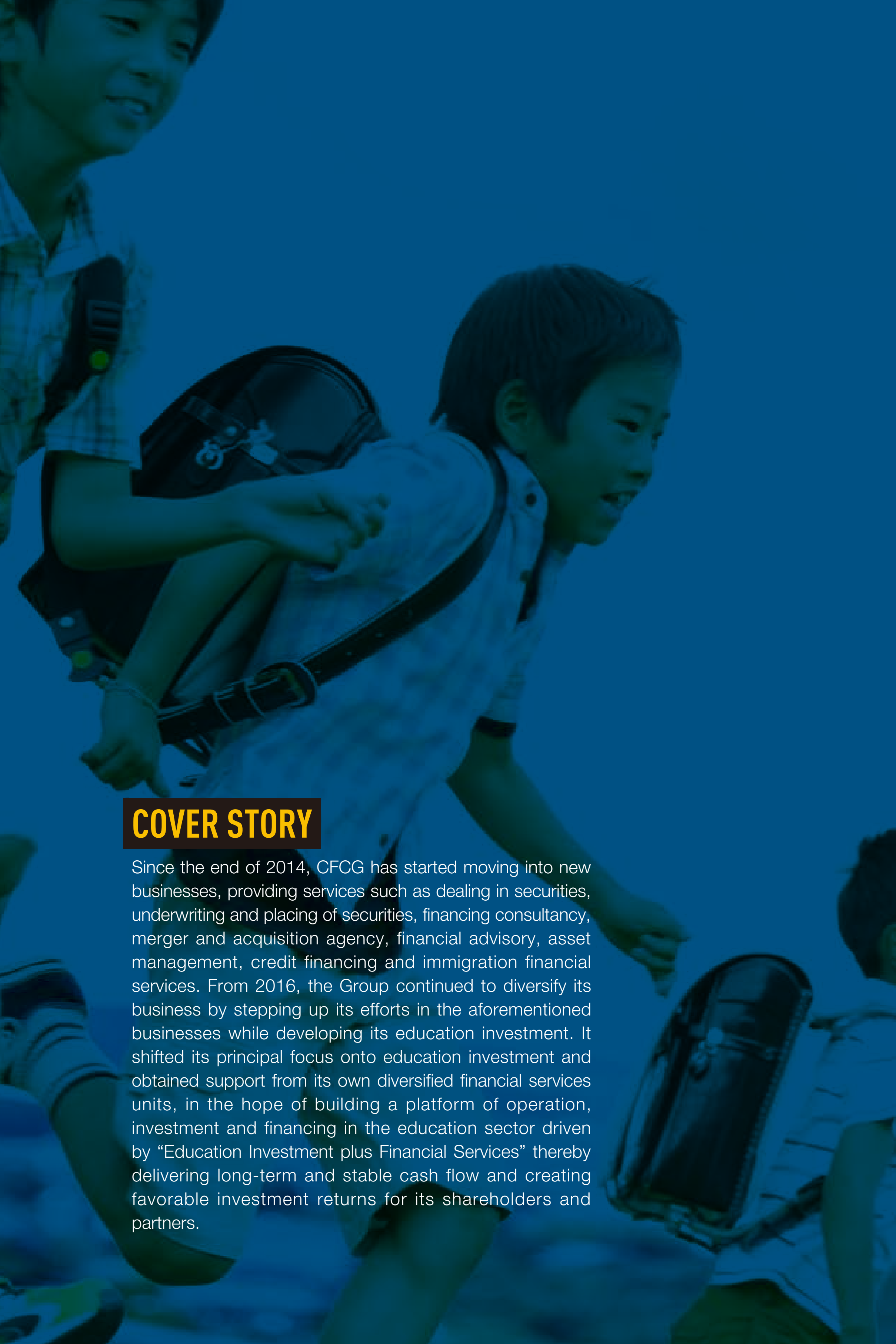

COVER STORY

Since the end of 2014, CFCG has started moving into new businesses, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, credit financing and immigration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the aforementioned businesses while developing its education investment. It shifted its principal focus onto education investment and obtained support from its own diversified financial services units, in the hope of building a platform of operation, investment and financing in the education sector driven by “Education Investment plus Financial Services” thereby delivering long-term and stable cash flow and creating favorable investment returns for its shareholders and partners.


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun *(Chief Executive Officer)*
Mr. TANG Mingyang#
Mr. YAN Haiting
Ms. LI Dan+

Non-Executive Director

Mr. LI Hua#

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Mr. LI Zhiqiang
Mr. CHEN Gang+

AUDIT COMMITTEE

Mr. CHU Kin Wang, Peleus *(Chairman)*
Mr. LI Hua^
Mr. LI Zhiqiang
Mr. CHEN Gang+

REMUNERATION COMMITTEE

Mr. CHEN Gang *(Chairman)*+
Mr. ZHAO Zhijun
Ms. LI Dan^
Mr. CHU Kin Wang, Peleus
Mr. LI Zhiqiang^

NOMINATION COMMITTEE

Mr. Wilson SEA *(Chairman)*
Ms. LI Dan^
Mr. CHU Kin Wang, Peleus
Mr. LI Zhiqiang^
Mr. CHEN Gang+

STRATEGY COMMITTEE

Mr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun
Mr. TANG Mingyang^
Mr. YAN Haiting
Mr. LI Zhiqiang
Mr. CHEN Gang+

RISK MANAGEMENT COMMITTEE

Mr. Wilson SEA *(Chairman)*
Mr. YAN Haiting
Mr. LI Hua^
Mr. CHU Kin Wang, Peleus

COMPANY SECRETARY

Mr. HUNG Man Yuk, Dicson

AUTHORISED REPRESENTATIVES

Mr. HUNG Man Yuk, Dicson
Mr. YAN Haiting+

HONG KONG LEGAL ADVISER

Locke Lord

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
(Hong Kong Branch)
China Construction Bank Corporation
(Nanyang Branch)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

with effect from 1 April 2016
+ with effect from 1 September 2016
^ with effect from 7 October 2016

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4501-02 & 12-13, 45/F
The Center, 99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

60/F, Tower 1, Excellence Century Center
Fuhua 3rd Road, Futian District, Shenzhen

Xipingtou Industrial Park
Xichuan County, Henan Province

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

1269

COMPANY WEBSITE

http://www.cfcg.com.hk

BUSINESS HIGHLIGHTS — FINANCIAL PERFORMANCE

Total assets

287.0%

Net asset value per share

176.3%

Equity attributable to owners of the Company

348.9%

Revenue

35.5%

Basic earnings per share

RMB0.27

Profit for the year attributable to owners of the Company

RMB178.7 million

For the year ended 31 December

	2016 **(RMB' million)**	2015 *(RMB' million)*
Revenue	**1,474.1**	1,087.7
Profit (loss) for the year attributable to owners of the Company	**178.7**	(22.6)
Basic earnings (loss) per share	**RMB0.27**	RMB(0.06)

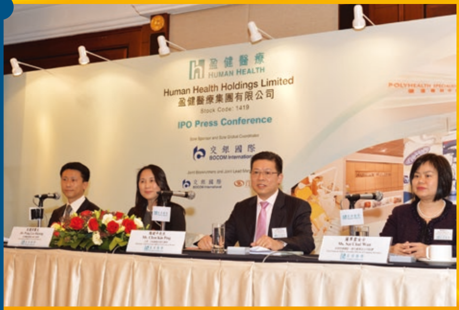
	As at 31 December 2016 ***(RMB' million)***	As at 31 December 2015 *(RMB' million)*
Total assets	**7,266.1**	1,877.6
Equity attributable to owners of the Company	**2,822.1**	628.7
Net asset value per share *(Note)*	**RMB3.15**	RMB1.14

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

BUSINESS HIGHLIGHTS — MAJOR EVENTS

2016

MAR



FC Securities serves as a joint bookrunner and a joint lead manager for its first IPO of Human Health Holdings (1419.HK)

JUN

FC Securities is a joint bookrunner and a joint lead manager in the listing of China Golden Classic Group (8281.HK)

CFCG signs an agreement of acquiring a 51% of interest in Jinan Shijiyinghua Experiment School

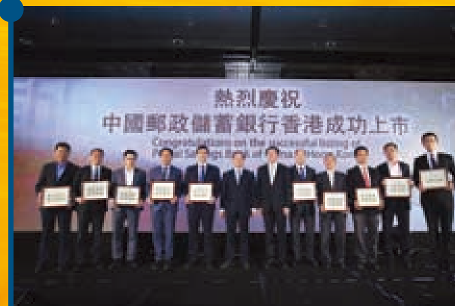
AUG

CFCG's subsidiary in Singapore begins operations to build presence in overseas education markets

CFCG signs an agreement of acquiring a 70% of interest in Kunming Professional College of Arts

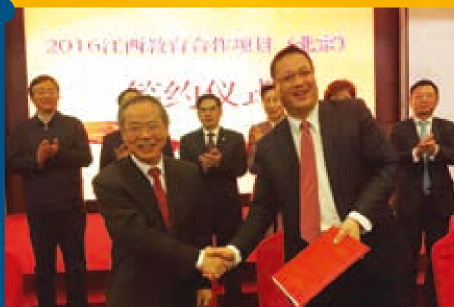
CFCG signs a strategic cooperation agreement with Shanghai Jiao Tong University's Overseas Education College

SEP



FC Securities is a joint bookrunner and a joint lead manager in the listing of Postal Savings Bank of China Co., Ltd. (1658.HK)

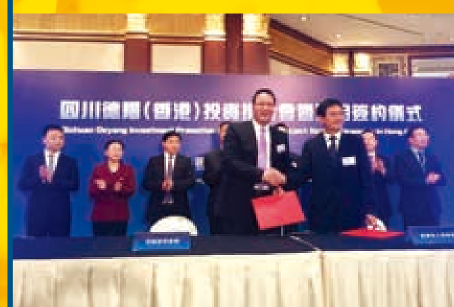
BUSINESS HIGHLIGHTS — MAJOR EVENTS (Continued)



CFCG signs a strategic cooperation agreement with Education Department of Jiangxi Province

OCT

NOV



CFCG sign a strategic cooperation agreement with Deyang Municipal Government in Sichuan Province to co-establish the China (Deyang) Splendid Horizons International Education New Town

CFCG signs an agreement of acquiring a 58.3% of interest in Xishan Schools

2016

DEC

CFCG signs an agreement with Kingswood School in the UK to jointly operate international schools in the PRC under the brand of kingswood

CFCG invests in GSV Fund, a recognised learning and talent technology fund in Silicon Valley in the United States

CFCG signs a memorandum of understanding with Churchill College Møller Centre of the University of Cambridge

CFCG holds approximately 125 million shares in Virscend Education (1565.HK), representing approximately 4.06% of its total shares issued as of 31 December 2016

BUSINESS HIGHLIGHTS — AWARDS

11th Outstanding China Enterprise Awards

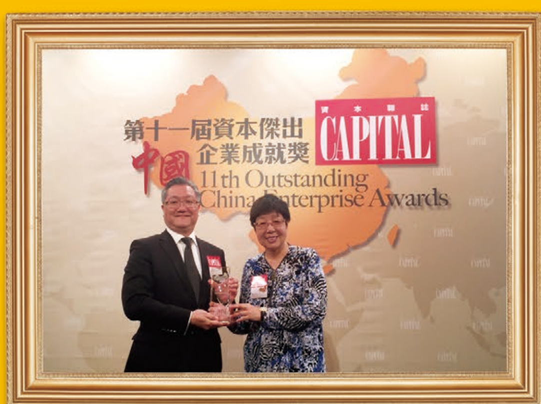
Date: 15 July 2016
Organiser: CAPITAL

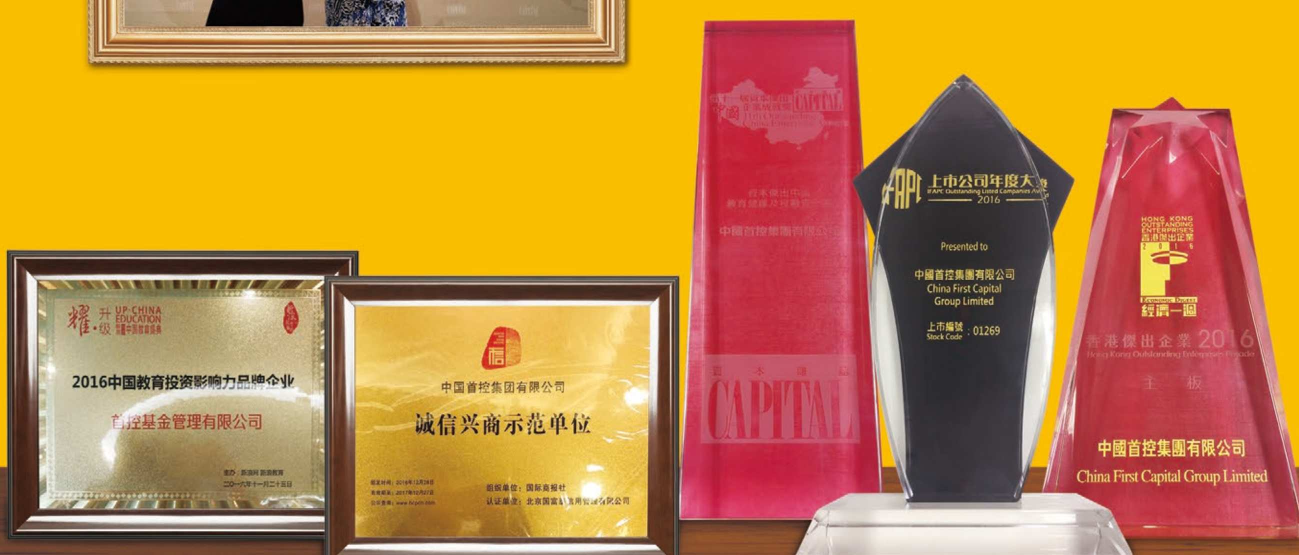
Description:
The CAPITAL Outstanding China Enterprise Awards recognises Chinese enterprises across different industries for their outstanding performance in the past year. The judging panel, comprising the editorial board of *Capital Magazine* and business leaders, selects winners according to a number of criteria including financial performance, total assets value, overseas development projects and their growth potential, marketing strategy and research and development.

Hong Kong Outstanding Enterprises 2016

Date: 1 November 2016
Organiser: Economic Digest

Description:
The "Hong Kong Outstanding Enterprises 2016" Award is intended to recognise and honour Hong Kong-listed companies from different sectors who have achieved outstanding performances in the past year. The panel of judges comprises the editorial department of the *Economic Digest* and business leaders and the selection criteria included corporate mission, annual business performance, good corporate governance and corporate social responsibility activities.

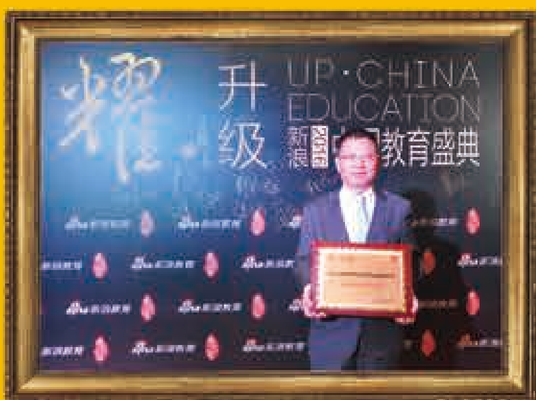




2016 Influential Education Investment Enterprise

Date: 22 November 2016
Organiser: sina.com

Description:
Selection is based on the criteria of development progress and strategy of enterprises in the last year across various aspects of education, including international education, primary and secondary schools, study-abroad programmes and business schools.



Outstanding Listed Company Award 2016

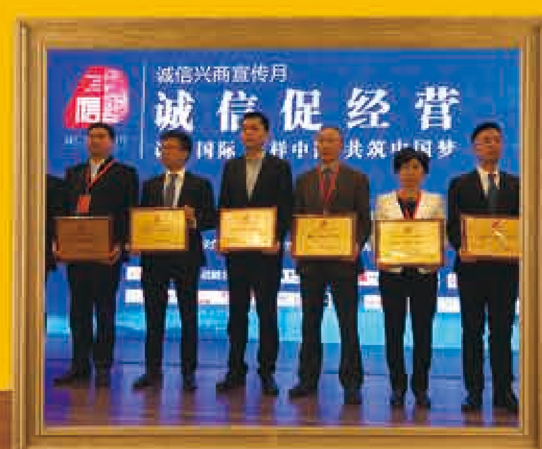
Date: 29 November 2016
Organiser: The Hong Kong Institute of Financial Analysts and Professional Commentators (HKIFAPC)

Description:
Organised by HKIFAPC, the "Outstanding Listed Company Award" aims to recognise listed companies for excellent performance, as well as to promote the importance of corporate governance. The award-winning enterprises are selected by experienced financial analysts and professional commentators. The selection of winners is based on the company's corporate strengths, operational performance, corporate transparency and financial performance as well as growth potential.

Exemplary Company Doing Business with Integrity

Date: 28 December 2016
Organiser: 18 Chinese ministries and commissions including the Ministry of Commerce, the Central Propaganda Department and the National Development and Reform Commission

Description:
To accord recognition to enterprises and individuals which have achieved outstanding performance in promoting integrity and achieving economic transformation in China's "new normal" economy.



2016-2017 FC Fund Expo for Universities and Colleges for the Guangdong Province Higher Education Entrance Examination and the Second Consultation Session on the Guangdong Province Higher Education Entrance Examination for Art Colleges

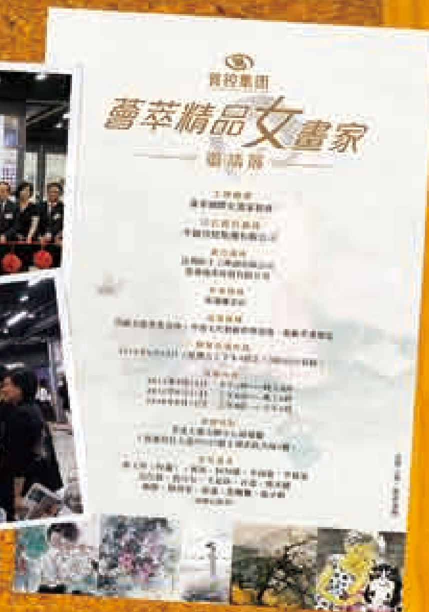
On 28 May 2016, FC Fund organised the "2016-2017 FC Fund Expo for Universities and Colleges for the Guangdong Province Higher Education Entrance Examination and the Second Consultation Session on the Guangdong Province Higher Education Entrance Examination for Art Colleges", with the newspaper Jingbao, the Shenzhen Culture Assets and Equity Exchange, Shenzhen ET. Education Group, and the Organising Committee of the Guangdong Arts Examination Advisory Council. Admissions officers from major universities and colleges across the nation have been invited to provide professional guidance for students preparing for the higher education and art college entrance exams.

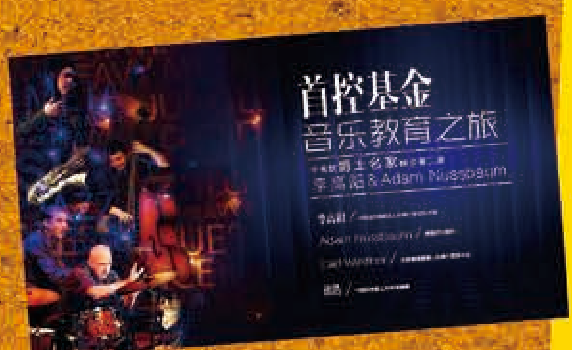
THE FIRST HONG KONG-VIENNA MUSIC FESTIVAL – THE HONG KONG FESTIVAL

CFCG sponsored the first Hong Kong-Vienna Music Festival – the Hong Kong Festival, organised by the Vienna Boys Choir Music Academy Foundation to help promote local and international music exchanges. The six-week event produced quality music performances and education available to a wider swath of the public, giving Hong Kong an aura of artistic glamour on top of her economic success.

CFCG • INVITATIONAL EXHIBITION OF INTERNATIONAL DISTINGUISHED WOMEN ARTISTS

CFCG is the title sponsor of the "CFCG •Invitational Exhibition of International Distinguished Women Artists" co-organised by *Bauhinia Magazine* and the Association of International Distinguished Women Artists. The exhibition displayed more than 40 paintings of 15 women artists from Mainland China, Hong Kong and overseas regions. It provided an opportunity for the artists to introduce themselves and their art while exchanging experience with each other.





FC FUND MUSIC AND EDUCATION TOUR

FC Fund sponsored the Summit of well-known Jazz Artists from China, the U.S. and Europe Season 3 – Li Gaoyang & Adam Nussbaum's Jazz Quartet Tour and made a special arrangement with the band for the "FC Fund Music and Education Tour" to be held at the studio of Kunming Professional College of Arts, so as to expose students to different genres of music for developing their appreciation of music.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,474,059**	1,087,737	830,704	634,171	498,834
Cost of sales/services	**(1,090,991)**	(862,401)	(656,811)	(501,659)	(400,622)
Gross profit	**383,068**	225,336	173,893	132,512	98,212
Fair value change of held for trading investments	**357,297**	–	–	–	–
Share of results in joint ventures	**(4,516)**	–	–	–	–
Other income and expenses, other gains and losses	**10,909**	(11,340)	(16,990)	31,168	5,979
Selling and distribution expenses	**(97,327)**	(82,575)	(46,745)	(37,678)	(25,575)
Research and development expenditure	**(43,399)**	(36,571)	(25,135)	(19,284)	(17,600)
Administrative expenses	**(286,945)**	(83,209)	(48,388)	(44,314)	(36,483)
Finance costs	**(43,371)**	(35,961)	(31,629)	(13,654)	(13,317)
Profit (loss) before tax	**275,716**	(24,320)	5,006	48,750	11,216
Taxation	**(87,440)**	(3,390)	(2,449)	(9,455)	(3,794)
Profit (loss) for the year	**188,276**	(27,710)	2,557	39,295	7,422
Other comprehensive income/expense					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operation	**5,365**	1,198	(44)	(265)	(207)
Total comprehensive income (expense) for the year	**193,641**	(26,512)	2,513	39,030	7,215
Profit (loss) for the year attributable to:					
Owners of the Company	**178,664**	(22,631)	2,557	39,295	7,422
Non-controlling interests	**9,612**	(5,079)	–	–	–
	188,276	(27,710)	2,557	39,295	7,422

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income (expense) attributable to:					
Owners of the Company	**184,850**	(21,433)	2,513	39,030	7,215
Non-controlling interests	**8,791**	(5,079)	–	–	–
	193,641	(26,512)	2,513	39,030	7,215
Earnings (loss) per share					
– Basic (RMB)	**0.27**	(0.06)	0.01	0.11	0.02

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,400,440**	707,996	677,403	683,817	561,344
Current assets	**4,865,699**	1,169,575	666,980	501,588	384,047
Total assets	**7,266,139**	1,877,571	1,344,383	1,185,405	945,391
Current liabilities	**(3,393,565)**	(1,046,259)	(797,127)	(655,080)	(580,024)
Total assets less current liabilities	**3,872,574**	831,312	547,256	530,325	365,367
Non-current liabilities	**(836,635)**	(77,276)	(157,882)	(143,464)	(83,828)
Owners' equity	**3,035,939**	754,036	389,374	386,861	281,539
Non-controlling interests	**213,874**	125,341	–	–	–
Equity attributable to owners of the Company	**2,822,065**	628,695	389,374	386,861	281,539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CHAIRMAN’S STATEMENT

"AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST" BENJAMIN FRANKLIN

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of China First Capital Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to hereby present the annual report of the Group for the year ended 31 December 2016.

Thanks to the tremendous support of our shareholders and staff, CFCG has successfully achieved strategic business transformation and its "Education Investment plus Financial Services" platform powered by two engines – education operation and investment and financing – is in place. With education investment at the core complemented by diverse financial services business units, the Group's business has rapidly grown in both the domestic and international markets.

In 2016, we spared no efforts internally and at the same time joined forces with strong partners. The Group kept abreast of market trends so as to grasp new investment opportunities in the education industry. To that end, it actively explored domestic and international investment channels to identify quality projects, with a view to capture first opportunities of development in the sector. At the same time, it continued to optimise its financial services business structure, enabling it to draw up the investment blueprint for developing a business with education investment and financial services marrying, interacting in synergy fostering the prosperity of both.

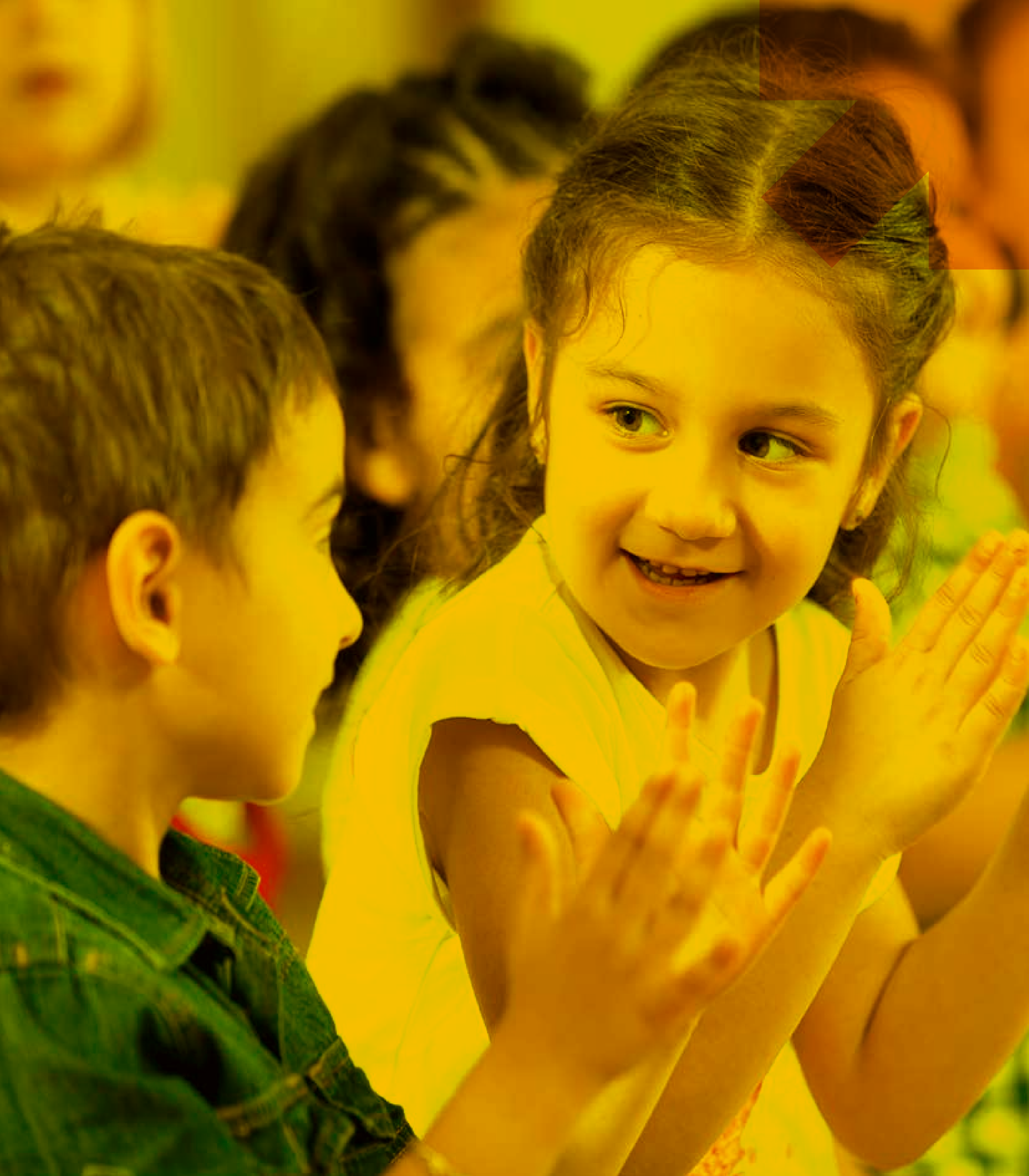
Following the amendments of the "Private Education Promotion Law of the People's Republic of China" passed at a meeting of the Standing Committee of the National People's Congress, mergers and acquisitions and consolidation of the industry as well as interdisciplinary technology innovation have all sped up. The capital-driven education industry is undergoing rapid development and has quickly emerged as a shining star in the domestic and international investment markets. In view of this, the Group hastened mergers and investment, and invested in Jinan Shijiyinghua Experiment School, Kunming Professional College of Arts, and Xishan Schools, and also holds about 4.06% stake in Virscend Education. And through the fund set up by its wholly-owned subsidiary FC Fund, it has also invested in a number of quality education projects, including Bojun Education, Baishu Education, Meten English and Beijing Experiment Foreign Language School. It also entered into a strategic cooperation agreement with the Deyang Municipal Government in Sichuan Province for the two parties to jointly develop the China (Deyang) Splendid Horizons International Education New Town. In the arena of international education, the Group not only signed a cooperation agreement with the prestigious British school Kingswood School to jointly operate international schools under the brand of Kingswood in the PRC, but also invested in the GSV Fund, a well-recognised education and talent technology investment fund in Silicon Valley in the United States. Furthermore, the Group announced the intention to cooperate with renowned international institutions such as the Møller Centre of Churchill College at Cambridge University and West London University in the United Kingdom and Singapore Raffles Music College, as well as Altschool – a school in futuristic slant in the United States. It also employed the world-class education strategy consultant Parthenon-EY to provide it with strategic advice on global education deployment .

On the financial services front, the Group also made breakthroughs. It obtained licenses for its three financial service subsidiaries in Hong Kong, all of which now run highly efficient operations and in complement with the Group's financial services offerings. Specifically, in less than one year since it commenced operation, FC Securities was underwriter of three listing projects of namely Human Health, China Golden Classic and Postal Savings Bank of China on the Stock Exchange of Hong Kong. And, the application of FC Asset Management for Qualified Foreign Limited Partner ("**QFLP**") qualification was approved, and FC International Finance obtained permission in October 2016 from the SFC to conduct Type 6 (advising on corporate finance) regulated activities.

In 2016, CFCG gathered under its name a group of experts in international finance and education. Subsequent to the appointment of Mr. Yan Haiting, former chief representative in Europe of People's Bank of China and Director of Agricultural Bank of China, London Branch, as President and Executive Director of the Group, we appointed Mr. Hao Xiaohui, formerly Director of Bank of Communications, New York Branch and Principal Vice President of the Bank's Hong Kong Branch, as Executive President of the Group and Chairman of FC Fund. To its team of education specialists, the Group was honoured to bring in Mr. He Qingrong, former Director of the International Cooperation Department of New Oriental Education & Technology Group, as a Deputy CEO for the Group's global branding and operations, and merger and acquisition activities in the international education industry. For its capital operations, Mr. Zhu Huanqiang, who has extensive experience in Mainland China's capital market and served the China Securities Regulatory Commission and China Securities Finance Corporation Limited for many years, was appointed as a Deputy CEO and put in charge of business development in the Chinese capital market. We also appointed Mr. Bai Zimin as a Deputy CEO responsible for post-investment management and assist the formulation and implementation of strategy for post-investment management and integration of educational resources. Ms. Li Minwen, former Head of the Channel Management Department of China Merchants Securities (HK), was appointed as Chief Operating Officer entrusted with enhancing the Group's management capability and fostering interdepartmental collaboration and cooperation. With so many high-caliber executives on board, we expect to see significant improvement of our core competitiveness.

In 2017, the Group will face greater opportunities as well as challenges. The Board will continue to uphold the business concept of "openness, cooperation, mutual development and win-win", in leading the Group, enabling it to fully apply its first-mover advantages in education investment as well as in diversification of the Group's financial services offerings, and unearth more quality education projects in China and worldwide. The Group will forge a comprehensive industrial chain, enhance post-investment management and integrate project resources to establish a world-recognised brand. It will advance together with its business partners and as one guide the Group on a new journal in 2017 and contribute to development of China's education industry and also growth of the Chinese economy.

Wilson SEA
Chairman and Executive Director
28 March 2017



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MANAGEMENT DISCUSSION AND ANALYSIS


VING
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"THE GREAT AIM OF EDUCATION IS NOT KNOWLEDGE BUT ACTION"

HERBERT SPENCER

INTRODUCTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started moving into new businesses, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, credit financing and immigration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the aforementioned businesses while developing its education investment. It shifted its principal focus onto education investment and obtained support from its own diversified financial services units, in the hope of building a platform of operation, investment and financing in the education sector driven by "Education Investment plus Financial Services" thereby delivering long-term and stable cash flow and creating favorable investment returns for its shareholders and partners.

The strategic business transformation of the Group has been widely recognised, as evidenced by its official admission as a component of the MSCI China Small Cap Index in June 2016. During the year under review, the Group garnered a number of awards and honours, such as the "CAPITAL Outstanding China Enterprise Awards", Economic Digest's "Hong Kong Outstanding Enterprises 2016", HKIFAPC's "Outstanding Listed Company Award 2016", sina.com's "2016 Influential Education Investment Enterprise", and the "Exemplary Company Doing Business with Integrity", an honour given jointly by eighteen ministries and commissions in China including the Ministry of Commerce.

BUSINESS REVIEW

Education Investment Business

According to the research by Parthenon-EY, a world-renowned educational consulting institution, education is the eighth largest economic sector of the world. The private education sector is a market of a trillion US dollars in size. China is the world's second largest spender in the private education sector, after the United States. The potential market of the main segments in the PRC's private education sector reached a size of US$28.0 billion with an annual growth rate of over 10%.

China's education sector is stepping into a golden age and has been in an expansion stage in terms of both the size of the sector as a whole and the level of market activity. The steadily growing economy in Mainland China in recent years and the increase in the per capita disposable income of urban households, coupled with the introduction of the "Universal Two-child Policy" across the country and increasing awareness of quality education of parents, have all contributed to the continued rise in family education spending. Private capital keeps flowing into the education sector, resulting in a rapid increase in the total amount and frequency of investment and M&As that powers its rapid development.

The completion of legislative changes relating to the private education allows the establishment of for-profit private schools. In December 2015, the Standing Committee of the National People's Congress (the "**SCNPC**") decided to make partial amendments to the Education Law and the Higher Education Law, and the provisions that "no organisation or individual may establish schools or any other institution of education for profit" and "no institutions

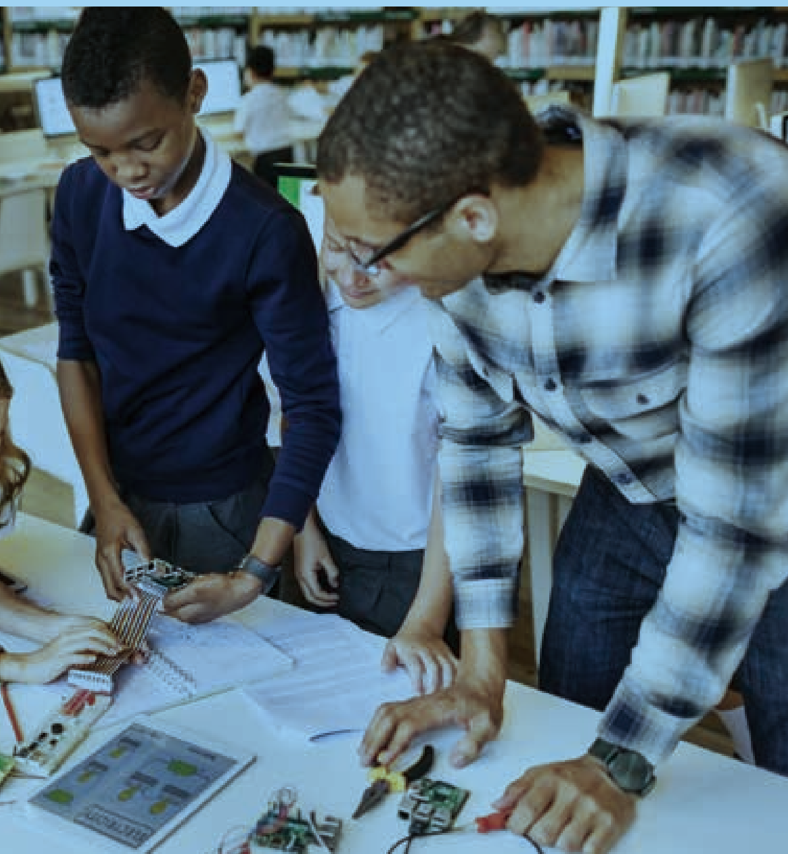
of higher education may be established for profit" were deleted. In November 2016, the SCNPC decided to amend the Private Education Promotion Law while separated the administration of non-profit and for-profit private schools. Subsequently, ministries including the Ministry of Education developed supporting documents such as the Implementation Rules for Classified Registration of Private Schools.

As one of the few sectors that are not subject to economic cycles and enjoy higher rates of return and stable development, the education market has a huge room for expansion. In view of this, during the year under review, the Group extended its business to education investment by continuously exploring investment opportunities in the education sector, investing in educational projects with potentials that resulted in a breakthrough.

During the year under review, the Group entered into agreements allowing it to acquire a 51% of interest of Jinan Shijiyinghua Experiment School (a boarding school located in Jinan, Shandong Province which provides high-end K-12 education), a 70% of interest of Kunming Professional College of Arts (a vocational college located in Kunming, Yunnan Province which provides students with various trainings in areas such as music, performing arts, media and design) and a 58.3% of interest of Xishan Schools (schools located in Fuzhou, Fujian Province and Nanchang, Jiangxi Province which feature football and Kungfu, with kindergarten, primary, middle and high schools and vocational and technical schools on one campus), with a total investment of approximately RMB682 million. The acquisition of interest in Jinan Shijiyinghua Experiment School has been completed and it became a subsidiary of the Company in September 2016. The acquisition of interest of Xishan Schools has been completed and they became subsidiaries of the Company in November 2016. As at the date of this annual report, the acquisition of interest of Kunming Professional College of Arts has not been completed. As of 31 December 2016, the Group held approximately 125 million shares in Virscend Education Company Limited, representing approximately 4.06% of its total shares issued as of 31 December 2016, and the total investment reached approximately HK$496 million. Virscend Education Company Limited (stock code: 1565) is listed on the Main Board of the Stock Exchange and is the largest provider of private K-12 education in Southwest China.

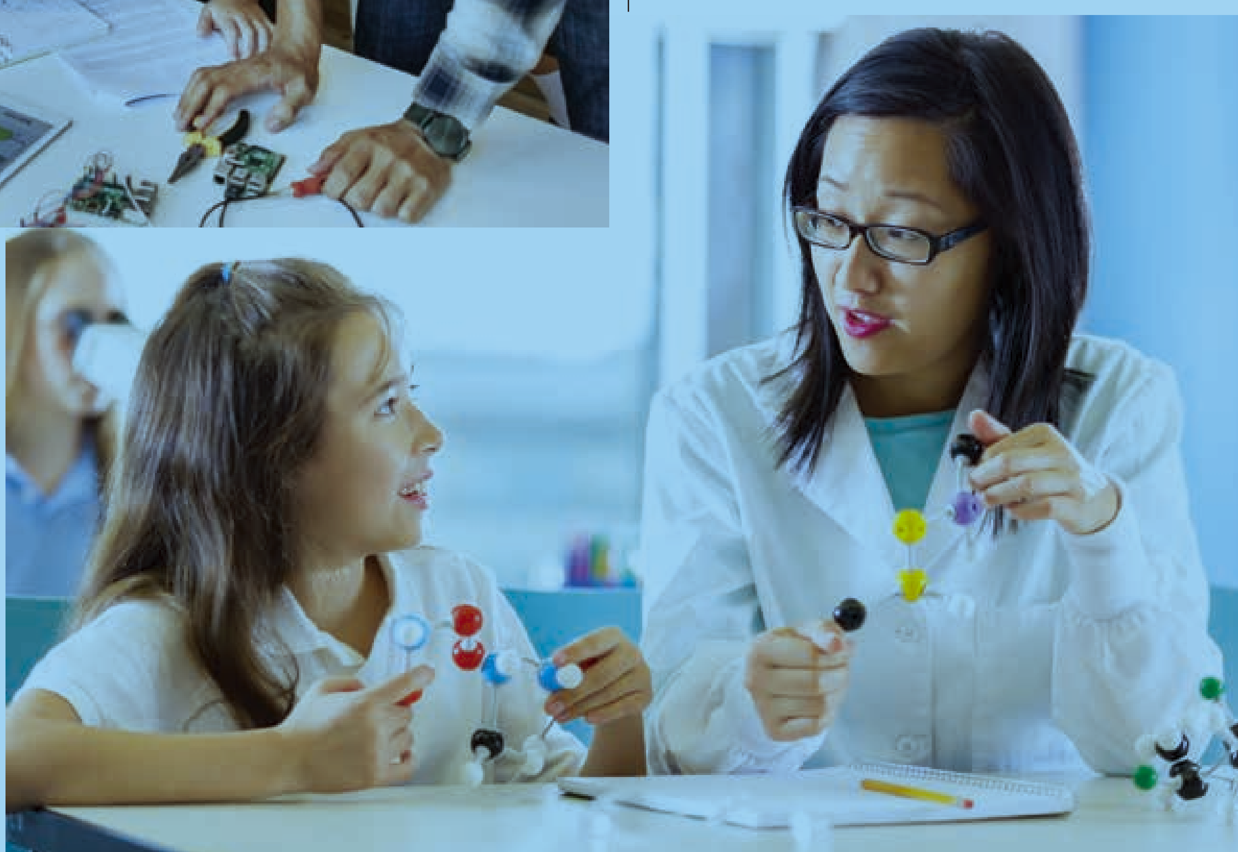
In April 2016, the Group acquired Brilliant Rich Holdings Limited ("**Brilliant Rich**") to develop the business of private investment funds management and provide a platform for investment in educational projects with potentials and provision of financial services. During the year under review, First Capital Fund Management Company Limited* (首控基金管理有限公司) ("**FC Fund**") under Brilliant Rich, joined hands with Guolian Trust Co., Ltd. and Central China Asset Management Company Limited* (中原資產管理有限公司) in launching various education investment and M&A funds, and through such funds, investments were made in educational projects including Bojun Education Company Limited (currently operates two junior high schools, one junior and senior high school, and six kindergartens in Chengdu, Sichuan Province), Nanchang Baishu Education Group (currently operates fifteen schools including primary schools, high schools and kindergartens in Jiangxi Province), Shenzhen Meten International Technology Co,. Ltd. (a professional English training institution that currently possesses over ninety direct training centers) and Beijing Experimental Foreign Language School (a private high school located in Beijing which provides interdisciplinary and internationalised courses with Chinese characteristics).

The Group is also actively expanding its international education investment. During the year under review, it established subsidiaries in countries with a wealth of educational resources, including Singapore, Australia and the United Kingdom. In July 2016, the Company appointed Mr. He Qingrong, former director of the international cooperation department of New Oriental Education & Technology (Group) Co., Ltd., as a deputy CEO in charge of global promotion and operation of the Group's brands, M&As in the international education sector, integration of international and domestic educational resources and introduction of international education and management talents. In December 2016, the Group entered into a collaboration agreement with Kingswood School, a renowned British school, to set up joint international



schools under the brand of Kingswood in the PRC. It also invested US$20 million and became a limited partner of GSV Acceleration Fund I, L.P. ("**GSV Fund**"), a well-known education and talent technology fund in Silicon Valley of the United States, thereby tapping into the market of education investment in the United States.

In November 2016, the Company entered into a strategic cooperation framework agreement with the municipal government of Deyang City, Sichuan Province for the joint establishment of the China (Deyang) Splendid Horizons International Education New Town (formerly known as "International Education New Town of Western China"). The project aims at creating a special education town for living and learning with a world-class talent pool. On the other hand, the Company reached a strategic cooperation framework agreement with the Education



Department of Jiangxi Province for the promotion of innovation and development of education sector in Jiangxi Province during the year under review. It also explored the possibilities and entered into collaboration with renowned domestic and foreign educational institutions, including Shanghai Jiao Tong University's Overseas Education College, Churchill College Møller Center of the University of Cambridge, University of West London, Singapore Raffles Music College and the Altschool – school in futuristic style, in an effort to build a presence in the domestic and global education market.

To develop global education investment strategies, build a diversified business across sector and an education investment platform with a "China perspective", the Group hired Parthenon-EY to provide strategic consulting on developing the Group's investment network in the global education sector during the year under review. In addition, for better post-investment management of the Group's educational projects, the Company appointed Mr. Bai Zimin as a deputy CEO in October 2016 to assist the Group in formulating and implementing the strategies of post-investment management and integration of educational resources, in order to elevate the value of education projects comprehensively.

Financial Service Business

During the year under review, the Group's financial service business experienced rapid growth. First Capital Securities Limited ("**FC Securities**"), which has a license for Type 1 regulated activities under the SFO, First Capital Asset Management Limited ("**FC Asset Management**"), which has licenses for Types 1, 4 and 9 regulated activities under the SFO, and First Capital International Finance Limited ("**FC International Finance**"), which has a license for Type 6 regulated activities under the SFO, have started to operate effectively with their respective licenses, forming an optimised financial service system.

In February 2016, FC Securities had its official grand opening and started active development of its various businesses. It has launched online and mobile trading platforms for trading stocks through the Stock Exchange, a mobile trading platform for trading Shanghai A stocks, and platforms for trading stocks of the United States, Japan, Singapore and Australia. It has been approved by the Stock Exchange for official operation through the Shanghai – Hong Kong Stock Connect platform, and became one of the participants of the Shenzhen – Hong Kong Stock Connect platform. On the other hand, it was licensed by the SFC to engage in the margin financing business, allowing it to provide customers with more comprehensive services. In addition to the securities trading services that it provides to individual customers, FC Securities is engaged in the underwriting and placement of shares for listing applicants and listed companies. During the year under review, FC Securities was a joint bookrunner and joint lead manager of Human Health Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1419), China Golden Classic Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8281) and Postal Savings Bank of China Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1658). FC Securities is also a placing agent for the Company's bonds as well as the placement of new shares in December 2016.

During the year under review, the application for qualified foreign limited partner (the "**QFLP**") of FC Asset Management was approved by the Shenzhen Municipal Government Financial Services Office. 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) was established in December 2016, and may convert foreign capital into RMB capital in order to invest in private equity funds and venture capital markets in the PRC.

In October 2016, FC International Finance obtained the license from the SFC to engage in Type 6 (advising on corporate finance) regulated activities and to provide financial consulting on matters pertaining to the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong.

During the year under review, First Capital International Holdings Limited, a subsidiary of the Group that is responsible for immigration financial services, leveraged its market network resources in key cities in China and overseas to provide diversified solutions to high net-worth clients with regard to their global asset allocation.

To develop new financial services for the Group in China, the Company appointed Mr. Zhu Huanqiang as a deputy CEO in October 2016. Mr. Zhu worked in the China Securities Regulatory Commission and China Securities Finance Corporation Limited and has extensive experience in the capital market in the PRC. The Group has also appointed Mr. Hao Xiaohui as the chairman of FC Fund (who was a former director of Bank of Communications New York Branch and the principal vice president of Hong Kong Branch).

Automotive Parts Business

The automobile market in China continued to recover in 2016 with the sales of approximately 28.03 million vehicles, representing an increase of approximately 13.65% over 2015 and an increasing growth rate of 8.97% year-on-year, according to China Association of Automobile Manufacturers. With its effective development strategies, the Group's automotive parts business has achieved steady growth in the year under review and recorded a revenue of RMB1,379.2 million, representing an increase of RMB297.2 million or 27.5% over 2015.

OUTLOOK

Education Investment Business

The demand in the global education market is driven as the economy grows. Gross enrollment rate goes up with the increase in per capita GDP. As a sector that has witnessed very steady increase in spending, the education market has demonstrated its resilience to cyclic economic downturn. Over the past decade, the global private education sector has experienced strong growth and continued to gain market share at the expense of the public education sector. According to Parthenon-EY, in 2004, students in private schools accounted for approximately 18%, 30% and 7% of K-12 schools in the United Kingdom, Australia and China respectively. In 2014, these figures reached approximately 46%, 35% and 22% respectively. According to the statistics of Frost & Sullivan, the per capita disposable income of urban households in Mainland China surged and is expected to increase to approximately RMB44,290 in 2020. Middle-class people with a higher level of education believe that their children can benefit from a good education in the long term, and therefore give priority to education spending, which continues to increase as a result of that, coupled with the introduction of the "Universal Two-child Policy".

Favourable policies have been introduced continuously in China. The government has allocated more resources to the education sector in general and encourages private investment in the education sector. The completion of amendments to the private education law and supporting policies is expected to usher in rapid growth across the sector. In December 2016, the State Council issued its Several Opinions on Encouraging Private Investment in Education and Promoting for the Healthy Development of Private Education, which promotes classified administration of private schools and encourages private investment in the education sector. The "Thirteenth Five-Year" Plan for National Education Sector issued in January 2017 proposes to give priority to investment in education and to ensure that the state-financed spending on education accounts for not less than 4% of the GDP in general. The main objectives of education development during the "Thirteenth Five-Year" period include that there will be 45 million students enrolled in kindergartens, 150 million in nine-year compulsory education programs, 41.3 million in high schools, and 38.5 million in institutions of higher education by 2020.

The management of the Group believes that the private education market has huge demand but low market concentration, and revenues will be steady and predicted. Given the high barriers to new entrants and the promising prospects, it is the time now for early entrants to take their advantage as pioneers.

In 2017, the Group will continue to grasp market opportunities and explore investment opportunities in the education sector by keeping an eye on the global education market and focusing on education segments which follow the mainstream education development trend, and for which the Group has a unique entry point in China and a distinct competitive advantage. It will introduce educational brands, resources and models with an established history into China through acquisitions or cooperation, to meet the demand of the potentially huge market in China, achieve diversification across the sector, and build an education investment platform with a "China perspective", in an effort to become a leading education investment and management organisation in the world.

The Group will also focus on enhancing the post-investment management of its investment projects and implementing all cooperation agreements or framework agreements that it has entered into, as well as getting the infrastructure of the China (Deyang) Splendid Horizons International Education New Town moving, executing the establishment of international schools under Kingswood's brand, and cooperating with GSV Fund to hold the worldwide education/investment summit. By integrating the high-end and quality educational resources, the Group will be able to generate synergies among curricula, technologies, brands and operations and enhance the value of its educational projects, to create attractive returns for its shareholders.

Financial Service Business

The Group will actively seek to expand its diversified financial services. It plans to acquire financial service licenses overseas to further optimise its financial service system. By promoting the rapid development of and close cooperation between various financial service units, it aims to provide customers with a full range of financial services.

The Group strives to establish a platform of operation, investment and financing in the education sector that is driven by "Education Investment plus Financial Services". It will promote mutual growth through the synergy between education investment and financing services. The Group sets up private equity funds in collaboration with financial institutions and other partners to finance the investment in education sector, which expanded not only the portfolio of the education projects, but also the scales of the financial services. Through M&As of qualified education projects, it brings customers to its financial services and helps boost the investment income from education investment business.

China's "Thirteenth Five-Year" Plan supports the expansion of the interconnection between the financial markets of Mainland China and Hong Kong. The removal of aggregate quota for investment through the "Shanghai-Hong Kong Stock Connect" in August 2016 and the launch of "Shenzhen-Hong Kong Stock Connect" in December 2016 which marked a new era of the interconnection between the two capital markets will have positive impact on FC Securities.

Revisions of the Private Education law allowing for-profit private schools fueled another wave of IPOs and M&As of education projects. Leveraging the uniqueness of its development strategy and advantages as an early entrant, and the brand recognition and market influence in education investment, as well as its diverse financial service system, the Group will continue to take active initiatives to provide a wide range of professional investment and financing services, such as M&A and securities trading. The Group will also consider its participation in cornerstone investment in education listing applicants.

Moreover, the depreciation of RMB due to the slowdown in China's economic growth and geo-political factors, such as the Brexit, is leading to volatility in the global capital market, which increases the demand of overseas assets allocation from high net-worth individuals. This supports the Group's asset management and immigration financial services.

Automotive Parts Business

The automotive parts business of the Group has an effective development strategy in place. It will continue to promote growth of the segment through such measures, which include but are not limited to: (1) optimisation of production capacity and enhancement of production efficiency; (2) development of new customers and new products to increase market share; (3) upgrading of research and technical capability to strengthen competitiveness; and (4) maintenance of cost advantages. The Group will make full use of the cash flow from the automotive parts business to finance its education investment and financial services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group's overall revenue increased by 35.5% to RMB1,474.1 million from RMB1,087.7 million in 2015, of which revenue from automotive parts business increased by 27.5% to RMB1,379.2 million from RMB1,082.0 million in 2015. Revenue from financial service business increased by 922.8% to RMB58.3 million from RMB5.7 million in 2015. Education investment business contributed revenue of RMB36.6 million to the Group in 2016. The increase in revenue was primarily due to enhancement of the market share of automotive parts business, rapid growth of financial service business and addition of education investment business.

Cost of sales/services

For the year ended 31 December 2016, the Group's overall cost of sales/services increased by 26.5% to RMB1,091.0 million from RMB862.4 million in 2015, of which cost of sales from automotive parts business increased by 23.2% to RMB1,062.4 million from RMB862.4 million in 2015. Cost of services from financial service business amounted to RMB0.4 million in 2016. Cost of services from education investment business amounted to RMB28.2 million in 2016. The increase in cost of sales/services was mainly driven by the increased sales volume of products of automotive parts business.

Gross profit

For the year ended 31 December 2016, the Group's overall gross profit increased by 70.0% to RMB383.1 million from RMB225.3 million in 2015, of which gross profit from automotive parts business increased by 44.3% to RMB316.8 million from RMB219.6 million in 2015. Gross profit from financial service business increased by 915.8% to RMB57.9 million from RMB5.7 million in 2015. Education investment business contributed gross profit of RMB8.4 million to the Group in 2016. The increase in gross profit was mainly due to the sales growth and gross profit margin rebound of automotive parts business, rapid growth of financial service business and addition of education investment business.

Gross profit margin

For the year ended 31 December 2016, the Group's overall gross profit margin increased by 5.3 percentage points to 26.0% from 20.7% in 2015. It was mainly due to the gross profit margin rebound of automotive parts business, as well as the higher profit margin for financial service business and education investment business.

Fair value change of held for trading investments

For the year ended 31 December 2016, the fair value change of held for trading investments of the Group recorded a revenue of RMB357.3 million. The held for trading investments of the Group were investments in securities listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, with costs of investment of RMB1,151.0 million. The fair value of which were RMB1,508.3 million as at 31 December 2016, representing 20.8% of the total assets of the Group as at 31 December 2016.

Other income, other gains and losses

For the year ended 31 December 2016, the Group's other income and other gains amounted to RMB10.9 million, while other expenses and other losses amounted to RMB11.3 million in 2015. Such change was mainly due to: (i) gain in disposal of available for sale investment of RMB22.8 million; (ii) provision on impairment and written off of inventories of automotive parts business of RMB21.5 million; (iii) increase in exchange loss of RMB8.9 million; and (iv) increase in interest income of RMB8.3 million.

Selling and distribution expenses

For the year ended 31 December 2016, the Group's selling and distribution expenses increased by 17.8% to RMB97.3 million from RMB82.6 million in 2015. Such increase was primarily due to an increase in sales volume of products of the automotive parts business resulting in an increase in the transportation costs, and the increase in after-sale service expenses in response to customers' demand.

Research and development expenditure

For the year ended 31 December 2016, the Group's research and development expenditure increased by 18.6% to RMB43.4 million from RMB36.6 million in 2015. Such increase was primarily due to (i) increased efforts on the research of applying the shock absorber related technology to different brands and models of automobiles; and (ii) additional development costs of shock absorbers for newly-developed automobiles.

Administrative expenses

For the year ended 31 December 2016, the Group's administrative expenses increased by 244.8% to RMB286.9 million from RMB83.2 million in 2015. Such increase was mainly due to the increase in the expenditure on staff salaries, allowance, bonus and rentals of office premises resulting from the recruitment and expansion of office premises in respect of development of financial service business and education investment business.

Finance costs

For the year ended 31 December 2016, the Group's finance costs increased by 20.6% to RMB43.4 million from RMB36.0 million in 2015. Such increase was mainly due to an increase in interest expense attributable to the increase of working capital required for the development of financial service business and education investment business.

Income tax expense

For the year ended 31 December 2016, the Group's income tax expense increased by 2,470.6% to RMB87.4 million from RMB3.4 million in 2015. The increment was mainly due to the increase of the Group's profit, resulting in the increase in current tax expense and deferred tax expense accordingly.

Net profit (loss) for the year

For the year ended 31 December 2016, the Group recorded a profit of RMB188.3 million as compared with a loss of RMB27.7 million in 2015. Such change was mainly due to the fair value change of the Group's investment in listed securities, turnaround from a loss to a profit of automotive parts business, as well as profit gained by FC Securities from the provision of placing and underwriting services.

Basic earnings (loss) per share

For the year ended 31 December 2016, the Group's basic earnings per share amounted to RMB0.27 while the basic loss per share amounted to RMB0.06 in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2016, the Group's net current assets was RMB1,472.1 million, representing an increase of 1,093.9% as compared with that of RMB123.3 million as at 31 December 2015. Such increase was mainly due to the fact that the Company raised net proceeds from placing of shares of approximately HK$1,784.0 million in 2016, the unutilized portion of which resulted in the increase in bank balances as at the end of the period, as well as the increase of fair value of the Group's held for trading investments at the end of the period.

Financial position and borrowings

As at 31 December 2016, the Group's total cash and bank balances amounted to RMB1,324.7 million, representing an increase of 228.8% as compared with that of RMB402.9 million as at 31 December 2015. Such increase was mainly due to the fact that a substantial portion of proceeds raised from the placing of shares completed on 29 December 2016 has yet been utilized.

As at 31 December 2016, the Group's total borrowings amounted to RMB1,513.9 million, representing an increase of 203.4% as compared with that of RMB498.9 million as at 31 December 2015. The increase was mainly due to the fact that the Group raised fund for the development of financial service business and education investment business. Of which, borrowings due within one year amounted to RMB1,100.3 million, representing an increase of 152.1% as compared with that of RMB436.5 million as at 31 December 2015; Borrowings due after one year but not exceeding two years amounted to RMB75.2 million, representing an increase of 988.31% as compared with that of RMB6.9 million as at 31 December 2015; Borrowings due after two years but not exceeding five years amounted to RMB330.5 million, representing an increase of 609.99% as compared with that of RMB46.6 million as at 31 December 2015; and borrowings due after five years amounted to RMB7.9 million, representing a decrease of 11.87% as compared with that of RMB9.0 million as at 31 December 2015.

As at 31 December 2016 fixed interest rates were applied to RMB1,513.9 million of the Group's total borrowings (31 December 2015: RMB498.9 million).

As at 31 December 2016, the Group's gearing ratio (i.e. a percentage of total borrowings and bills payable divided by total assets) was 22.0% (31 December 2015: 32.6%).

Working capital

As at 31 December 2016, the Group's inventories amounted to RMB211.9 million, representing an increase of 107.7% from RMB102.0 million as at 31 December 2015. Such increase was mainly attributable to the expansion in operation scale of automotive parts business. For the year ended 31 December 2016, the average inventory turnover days were 52.5 days (2015: 46.5 days). Inventory turnover days were arrived at by dividing the average of the opening and ending balances of inventory during the period by cost of sales of the period and multiplied by 365 days.

As at 31 December 2016, the Group's trade receivables amounted to RMB529.6 million, representing an increase of 39.4% from RMB379.9 million as at 31 December 2015. Such increase was mainly attributable to the expansion in operation scale of automotive parts business. For the year ended 31 December 2016, the average turnover days of trade receivables were 112.6 days (2015: 118.8 days). Turnover days of trade receivables were arrived at by dividing the average of the opening and ending balances of trade receivables during the period by sales volume for the relevant period and multiplied by 365 days.

As at 31 December 2016, the Group's trade payables amounted to RMB492.0 million, representing an increase of 37.7% from RMB357.4 million as at 31 December 2015. Such increase was mainly attributable to the expansion in operation scale of automotive parts business. For the year ended 31 December 2016, the turnover days of average trade payables were 142.1 days (2015: 132.5 days). The turnover days of trade payables were arrived at by dividing the average of the opening and ending balances of trade payables during the period by cost of sales for the period and multiplied by 365 days.

Capital expenditures and capital commitments

For the year ended 31 December 2016, the Group's capital expenditures were RMB108.8 million (2015: RMB72.4 million), which were primarily related to the expenses for acquisition of land use rights, construction of production facilities, plants, machinery and equipment for the expansion of automotive parts business. The Group has been financing its capital expenditures primarily through cash generated from operations, equity financing and debt financing.

As at 31 December 2016, the Group had capital commitments for acquisition of plant and machinery of RMB30.8 million (31 December 2015: RMB28.9 million).

Interest rate risk

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

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 profit for the year ended 31 December 2016 would increase/decrease by RMB1.7 million (2015: RMB0.4 million decrease/increase in the Group's loss). In the Director's opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during the year.

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

Foreign exchange risk

The consolidated financial statements of the Group are presented in RMB. Certain bank balances and borrowings of the Group are denominated in HK$. Assuming that all other variables remain constant at year end, a 1% depreciation/appreciation of the HK$ against RMB would result in an increase/decrease in the Group's profit for the year ended 31 December 2016 of approximately RMB0.7 million (2015: RMB2.2 million decrease/increase in the Group's loss). In the Director's opinion, the sensitivity analysis above is unrepresentative for the foreign exchange risk as the exposure at the end of reporting period does not reflect the exposure during the year.

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

HUMAN RESOURCES

As at 31 December 2016, the Group had 4,007 employees (31 December 2015: 1,643 employees). For the year ended 31 December 2016, the Group's total remuneration and welfare benefits expenses amounted to RMB213.5 million (2015: RMB112.9 million). The Group's remuneration policy is primarily based on the job responsibilities, work experience and length of services of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience and the prevailing market condition.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the EGM held on 19 October 2011, the Share Option Scheme was approved and adopted. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

For the year ended 31 December 2016, no share options were granted under the Share Option Scheme by the Company. In addition, as of 31 December 2016, no share options under the Share Option Scheme were outstanding.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, pledge of assets included: (i) the Group's certain buildings and production equipment with a net carrying amount of RMB121.8 million (31 December 2015: RMB192.4 million); (ii) the Group's leasehold land with a carrying amount of RMB105.5 million (31 December 2015: RMB101.2 million); and (iii) the Group's financial assets of trade nature with a carrying amount of RMB399.6 million (31 December 2015: Nil), which have been pledged to secure the Group's loan facilities.

As at 31 December 2016, the carrying amount of the Group's certain restricted bank balances was RMB675.5 million (31 December 2015: RMB113.2 million). It includes: (i) an aggregate amount of RMB453.3 million representing the customer deposits for trading securities, (ii) RMB130.0 million representing restricted bank deposits for investment purpose, and (iii) RMB92.2 million representing bank deposits as pledges for the bills payable with an original maturity of three to six months issued to suppliers for the purchase of raw materials.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Formation of Joint Venture

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

Disposal of Shares in GF Holding

As disclosed in the Company's announcement dated 12 December 2016, the Company, Surrich International, New Citic and GF Holding entered into an agreement, pursuant to which the Company has agreed to sell, and GF Holding has agreed to repurchase, the shares of GF Holding held by the Company at the consideration of approximately HK$173.92 million. For further information, please refer to the Company's announcement dated 12 December 2016.

Formation of Non-wholly owned Subsidiary

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

Acquisition of Sale Shares and Shareholders Loans Involving Issue of Consideration Shares under General Mandate

As disclosed in the Company's announcement dated 17 April 2016, the Company entered into a purchase agreement, pursuant to which the Company agreed to purchase the shares and shareholders loans of Brilliant Rich and its subsidiaries at the consideration of cash amounting to HK$10 million, available for sale investment with carrying amount of HK$83 million, and 110,592,000 of the new shares of the Company, for carrying out private investment fund management, equity interest investment, securities investment and provision of investment management and consultancy services in the PRC. For further information, please refer to the Company's announcements dated 17 April 2016, 21 April 2016 and 10 May 2016, respectively.

Formation of Limited Partnership

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

Acquisition of Interest in KPCA and Establishment of Structured Contracts Arrangements

As disclosed in the Company's announcement dated 25 August 2016, Yunnan First Capital Education Management Company Limited* (雲南首控教育管理有限公司) ("**FC Education (YN)**") (an indirectly wholly-owned subsidiary of the Company) entered into the transaction agreements with independent third parties, pursuant to which FC Education (YN) conditionally agreed to enter into structured contracts to acquire 70% of the interest of Kunming Professional College of Arts. The aggregate amount of consideration and capital injections payable by FC Education (YN) under the transaction agreements was RMB210 million. For further information, please refer to the Company's announcements dated 25 August 2016, 3 October 2016 and 28 December 2016, respectively.

Acquisition of Interest in the Xishan Schools and Establishment of Structured Contracts Arrangements

As disclosed in the Company's announcement dated 22 November 2016, Mega Perfect International Corporation ("**Mega Perfect International**") (an indirect wholly-owned subsidiary of the Company) entered into an investment agreement with First Capital Education Management (Shenzhen) Company Limited* (首控教育管理(深圳)有限公司) and independent third parties, pursuant to which Mega Perfect International conditionally agreed to enter into structured contracts to acquire 58.3% of the interest in Topford Vast International Co., Ltd., thereby acquiring 58.3% of the interest in the Xishan Schools. The aggregate amount of consideration payable by Mega Perfect International was RMB350 million. For further information, please refer to the Company's announcement dated 22 November 2016.

Acquisition of Sale Shares and Shareholder's Loans

As disclosed in the Company's announcement dated 9 December 2016, FC Fund (an indirectly wholly-owned subsidiary of the Company) and Chengdu Yangpengyuan Enterprise Limited* (成都陽鵬源實業有限公司) ("**Yangpengyuan**") entered into a sale and purchase agreement, pursuant to which FC Fund agreed to purchase, and Yangpengyuan agreed to sell, the equity interest and the shareholder's loans of Sichuan Yujiage Hotel Management Limited* (四川裕嘉閣酒店管理有限公司) held by Yangpengyuan for the total consideration of RMB357.5 million. For further information, please refer to the Company's announcement dated 9 December 2016.

Formation of Limited Partnership

As disclosed in the Company's announcement dated 9 December 2016, FC Fund (an indirectly wholly-owned subsidiary of the Company) together with two independent third parties entered into a partnership agreement in relation to the formation of a limited partnership, Zhuhai First Capital Education Investment Fund L.P.* (珠海首控教育產業投資基金(有限合夥)), to engage in the investments in education projects, the management of entrusted assets, the management of investments and the provision of investment consultancy services. For further information, please refer to the Company's announcement dated 9 December 2016.

Save as the above, for the year ended 31 December 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT HELD

Except for the investment in the GSV Fund and the investments in securities listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Group did not hold any significant investment as at 31 December 2016. For further information in relation in significant investment held, please refer to note 22 and note 29 in the consolidated financial statements of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2016, save as disclosed in this annual report, the Group did not have other immediate plans for material investments and capital assets.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Save for the equity fund raising activities set out below, for the year ended 31 December 2016, 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 9 June 2015, the general mandate granted at the EGM held on 8 December 2015, the general mandate granted at the EGM held on 7 April 2016, the general mandate granted at the AGM held on 8 June 2016 or the general mandate granted at the EGM held on 6 December 2016.

Date of announcement	Fund raising activities	Net proceeds	Proposed use of proceeds	Actual use of proceeds as at the date of this annual report
5 October 2015	Placing of 76,800,000 new shares at the placing price of HK$2.00 per placing share	Approximately HK$151.6 million	(i) Approximately HK$60.4 million shall be used to finance the development of investment migration advisory services and financial consultancy and advisory services of the Group;	(i) Approximately HK$66.8 million has been used to finance the development of investment migration advisory services and financial consultancy and advisory services of the Group;
			(ii) approximately HK$50.0 million shall be used for the development of financing and financial credit business; and	(ii) approximately HK$53.0 million has been used for the development of financing and financial credit business; and
			(iii) approximately HK$41.2 million shall be used for general working capital of the Group.	(iii) approximately HK$31.8 million has been used for general working capital of the Group.
10 December 2015	Placing of 92,160,000 new shares at the placing price of HK$2.00 per placing share	Approximately HK$182.0 million	General working capital of the Group and/or for funding of business or investment opportunities if so arise.	(i) HK$175.0 million has been used to subscribe for 35% shares in GF Holding as disclosed in the announcement of the Company dated 29 December 2015; and
				(ii) approximately HK$7.0 million has been used as the general working capital of the Group.
10 May 2016	Issuing of 110,592,000 new shares	N/A	Settling part of the consideration of the acquisition of sale shares and the shareholders loans of Brilliant Rich as disclosed in the announcement of the Company dated 17 April 2016.	110,592,000 new shares have been issued for settling part of the consideration of the acquisition of sale shares and the shareholders loans of Brilliant Rich as disclosed in the announcement of the Company dated 17 April 2016.

Date of announcement	Fund raising activities	Net proceeds	Proposed use of proceeds	Actual use of proceeds as at the date of this annual report
6 September 2016	Placing of 132,698,000 new shares at the placing price of HK$6.00 per placing share	Approximately HK$790 million	(i) approximately HK$200 million shall be used for the development of financial service business, including asset management services, financial credit services, securities brokerage services and overseas financial services;	(i) approximately HK$260 million has been used for the development of financial service business, including asset management services, financial credit services, securities brokerage services and overseas financial services;
			(ii) approximately HK$500 million shall be used for the development of the Group's education investment business through investment and acquisitions; and	(ii) approximately HK$472 million has been used for the development of the Group's education investment business through investment and acquisitions; and
			(iii) approximately HK$90 million shall be used as general working capital of the Group.	(iii) approximately HK$58 million has been used as general working capital of the Group.
12 December 2016	Placing of 100,000,000 new shares at the placing price of HK$10.00 per placing share	Approximately HK$994 million	(i) approximately HK$200 million shall be used for the development of financial service business, including asset management services, financial credit services, securities brokerage services and migration financial services;	(i) approximately HK$78 million has been used for the development of the Group's education investment business through investment and acquisitions; and
			(ii) approximately HK$750 million shall be used for the development of the Group's education investment business through investment and acquisitions; and	(ii) approximately HK$13 million has been used as general working capital of the Group.
			(iii) approximately HK$44 million shall be used as general working capital of the Group.	

For further information about the placing and issuance of new shares, please refer to the announcements of the Company dated 5 October 2015, 10 December 2015, 10 May 2016, 6 September 2016 and 12 December 2016.

EXECUTIVE DIRECTORS

Wilson Sea (formerly known as Xi Chunying), aged 53, was appointed as the Chairman and a non-executive Director on 27 April 2011 and has been re-designated as an executive Director on 1 January 2015. He is responsible for the general strategic planning and business planning and co-ordination of the Group, as well as for supervision of the enforcement and execution of the management's strategies. Mr. Sea is a director of Wealth Max. He is also a director of a number of subsidiaries of the Company.

From 1997 to 2004, Mr. Sea worked in Minsheng Securities Co., Ltd.* (民生證券有限責任公司) as an assistant to president, president and chairman, responsible for the investment banking business, the business of research department, planning and development of the company. From 2004 to 2007, he was the chairman of the board of Kaifeng City 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. from 2007 to 2011. He has also been appointed as the director of FC Fund from 2012 to 2013.

Mr. Sea obtained a bachelor degree in Economics from Henan University in 1986. He further obtained a master 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.

Zhao Zhijun (趙志軍), aged 42, was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011. Mr. Zhao is also a director of a number of subsidiaries of the Company. He joined the Group in 2005. Mr. Zhao has plenty of experience in management in automobile shock absorber industry. He is principally responsible for the general operation and management of the Group.

Prior to joining the Group, Mr. Zhao worked for the general office of the Zhengzhou Office of the China Securities Regulatory Commission (the "**CSRC**") from 1999 to 2002. He served as a general manager of Nanyang business department of Minsheng Securities Co., Ltd.* (民生證券有限責任公司南陽營業部) from 2002 to 2005. Mr. Zhao graduated from Central South University with a master degree in Philosophy in 2004.

Tang Mingyang (唐銘陽), aged 49, was appointed as an executive Director on 28 March 2016 with effect from 1 April 2016. Mr. Tang found an enterprise which was the first batch of enterprises engaging in mineral resources mining and trading in 1980s in the PRC and acted as its chairman. Mr. Tang has over 30 years of business experience. In 1992, he was accredited National Outstanding Young Entrepreneur (全國優秀青年企業家). He was appointed as visiting professor of Sichuan Winshare Vocational College (四川文軒職業學院) in January 2016. Currently he is the honourable chairman of Chengdu Dazhou Chamber of Commerce (成都達州商會) and the honourable founding chairman of Sichuan & Chongqing (H.K.) Association (香港川渝同鄉總會). Mr. Tang graduated from Sichuan Daxian Finance and Trade School (四川達縣財經貿易學校) in 1986.

YAN Haiting (閆海亭), aged 54, was appointed as a non-executive Director on 28 March 2014 with effect from 1 April 2014 and has been re-designated as an executive Director on 1 January 2015. Mr. Yan is responsible for the execution of the overall strategies for operations and development as well as the daily operating management for the financial services business of the Group. He is also a director of a number of subsidiaries of the Company.

Mr. Yan joined the Foreign Investment Department of the People's Bank of China (中國人民銀行外資司) (the "**PBC**") in 1996 responsible for the financial affairs of Hong Kong, Macau and Taiwan, and was transferred to the International Department of PBC (中國人民銀行國際司) in 1999 responsible for financial affairs of America. From 2001 to 2002, he was seconded to HSBC United Kingdom to learn corporate financial and asset management business. He served as deputy director and later director in the International Department of PBC from 2003 to 2005. From 2006 to 2010, he was the chief representative (counsellor) of PBC of Europe, responsible for the coordination and liaison with major countries in Europe, policy study and submitting proposals to PBC and the State Council of China regarding the formulation of and decisions in economic and financial policies. From 2010 to 2013, he served as the vice chairman and chief executive officer of Agricultural Bank of China (UK) Limited, responsible for business and market operations.

Mr. Yan graduated from Henan University majoring in English in 1988 and obtained a Master's Degree in economics from Renmin University of China in 2001.

LI Dan (李丹), aged 44, was appointed as an executive Director on 29 August 2016 with effect from 1 September 2016. Ms. Li worked at Bank of China Limited from March 1991 to June 2014 and served various management roles at branch offices and provincial head offices of Bank of China Limited. She joined Chengdu Zhongyingchuangyue Enterprise Group Limited* (成都中盈創越實業集團有限公司) in July 2015 and served as a chairman of its board of directors.

Ms. Li graduated as a bachelor of finance from Chengdu University of Information Technology in 2002. In 2016, she completed a capital market and corporate finance decision program from Cheung Kong Graduate School of Business.

NON-EXECUTIVE DIRECTOR

Li Hua (李華), aged 35, was appointed as a non-executive Director on 28 March 2016 with effect from 1 April 2016. Mr. Li worked at Sichuan Branch of the Bank of China (中國銀行股份有限公司四川省分行) from 2003 to June 2015. Since July 2015, he has been the chairman of Sichuan Tong Wei Sheng Industrial Limited (四川通偉盛實業有限公司). Mr. Li graduated from Sichuan University in 2003 with a Bachelor of Engineering majoring in software engineering.

Mr. Li possessed the qualification of National Counselling Psychologist (Class Three) (國家三級心理諮詢師).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Kin Wang, Peleus (朱健宏), aged 52, was appointed as an INED on 19 October 2011. Mr. Chu has over 20 years of experience in corporate finance, audit, accounting and taxation. Mr. Chu was or has been an executive director, non-executive director or a senior management personnel of the following companies listed on the Main Board of the Stock Exchange: (a) Global Mastermind Capital Limited (formerly known as Mastermind Capital Limited) (stock code: 905): executive director from September 2005 to March 2007; (b) Chinese People Holdings Company Limited (stock code: 681): executive director since December 2008 and deputy chairman since March 2015; (c) Perfect Group International Holdings Limited (stock code: 3326): non-executive director from August 2015 to February 2017; and (d) Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (stock code: 1383): company secretary from February 2007 to September 2010. Further, Mr. Chu was or has been an independent non-executive director of the following companies listed on the Main Board or the Growth Enterprise Market of the Stock Exchange: (a) Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) since April 2007; (b) Sustainable Forest Holdings Limited (stock code: 723) from January 2008 to August 2010; (c) Huayu Expressway Group Limited (stock code: 1823) since May 2009; (d) Flyke International Holdings Ltd. (stock code: 1998) since February 2010; (e) SkyNet Group Limited (formerly known as EDS Wellness Holdings Limited) (stock code: 8176) since March 2012; (f) Telecom Service One Holdings Limited (stock code: 8145) since April 2013; (g) National Agricultural Holdings Limited (stock code: 1236) from June 2015 to September 2015; (h) Madison Wine Holdings Limited (stock code: 8057) since September 2015; (i) Mingfa Group (International) Company Limited (stock code: 846) since November 2016; and (j) ITC Corporation Limited (stock code: 372) since March 2017.

Mr. Chu graduated from the University of Hong Kong with a Master's Degree in Business Administration. Mr. Chu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chu is also an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Li Zhiqiang (李志強), aged 54, was appointed as an INED on 19 October 2011. Mr. Li has been an executive director of Seamless Green China (Holdings) Limited (stock code: 8150), a company listed on the Growth Enterprise Market of the Stock Exchange, since June 2016. He has been the legal advisor of the General Office of the Central Military Commission of the PRC and an executive editor-in-charge of China Military Law Magazine* (《中國軍法》) since 1994, a responsible person (chairman) of China Insurance Regulatory Commission letters and visits reporting centre since July 2003 and an executive director and the president of Shougang Holdings Limited (首鋼控股有限公司) since December 2004. In 2006, he was a director of Sino Life Insurance Co., Ltd. (中國生命人壽保險股份有限公司) and vice chairman in 2008, and chairman of China International Cultural Media Co., Ltd. (中國國際文化交流傳媒有限公司) since 2006. He was also appointed as the chairman and secretary to the Communist Party Committee of Shougang Yili Steel Co., Ltd. (首鋼伊犁鋼鐵有限公司) in 2010 and a director of Tonghua Steel Holdings Co. Ltd.* (通化鋼鐵集團股份有限公司).

Mr. Li was elected as China's Top Ten Wealthy and Intelligent Figures* (中華十大財智人物) in 2010. He was honored with China's Top Ten Economic Figures of the Year*(中國十大年度經濟人物大獎), Excellent Worker of Beijing Municipal* (北京市勞動模範) and Beijing Municipal Best Entrepreneur* (北京市優秀企業家) in 2012. Mr. Li was honored by the United Nations Educational, Scientific and Cultural Organization, Ministry of Education and Ministry of Culture of the PRC with the Confucius Business Prize and was the honorary chairman of China Confucius Business Club* (中國孔子儒商俱樂部) in 2015.

Mr. Li graduated from University of Science and Technology of China with a master of management and Euromed Marseille Ecole de Management with a doctor of management and is currently the academician of the World Academy of Productivity (世界生產力科學院).

Chen Gang (陳剛), aged 47, was appointed as an INED on 29 August 2016 with effect from 1 September 2016. Mr. Chen worked at Dazhou City Commercial Bank Limited* (達州市商業銀行股份有限公司) from July 1996 to July 2014 and served as the financial controller, the general manager of the capital finance department, a director of the board, a member of the risk management committee of the board of directors during his tenure of office. He joined Sichuan Yuanhenglong Enterprise Limited* (四川元恒隆實業有限公司) in July 2015 and served as a chairman of its board of directors and a general manager.

Mr. Chen graduated as a bachelor of finance from Southwestern University of Finance and Economics in 2009. In 2013, he obtained a graduate diploma in law from Party School of Sichuan Provincial Committee of Communist Party of China* (中國共產黨四川省委員會黨校).

SENIOR MANAGEMENT

Hung Man Yuk, Dicson (洪旻旭), aged 41, has been the Company Secretary and authorised representative of the Company since 1 March 2012. Mr. Hung has extensive experience in accounting, financial control and compliance. Mr. Hung has been appointed executive of several other listed companies, including qualified accountant, chief financial officer and company secretary of Zhongtian International Limited (stock code: 2379) from 2006 to 2007, company secretary of Come Sure Group (Holdings) Limited (stock code: 794) and China Tian Lun Gas Holdings Limited (stock code: 1600) from 2010 to 2015 respectively.

Mr. Hung obtained a Master's Degree in finance from The Curtin University of Technology in November 2002. He was admitted a member of Hong Kong Institute of Certified Public Accountants in July 2004 and a fellow member of the Chartered Association of Certified Accountants in November 2006. He is also a member of the Hong Kong Institute of Directors.

Wang Hui (王輝), aged 38, was appointed as the Chief Financial Officer of the Company with effect from 1 January 2016. He has more than 10 years of experience in corporate finance, accounting, taxation and investment area. He specializes in corporate financial management, internal control and capital management. He is a director of a number of subsidiaries of the Company.

Prior to joining the Group, Mr. Wang served as investment manager of Henan Hexie Venture Capital Management Co., Ltd.* (河南合協創業投資管理有限公司) from September 2006 to February 2008; chief financial officer of Nanyang Pukang Pharmaceutical Co., Ltd.* (南陽普康藥業有限公司) from March 2008 to January 2012; chief financial officer of Shenzhen Huaxin Equity Investment Fund Management Co., Ltd* (深圳華信股權投資基金管理有限公司) from February 2012 to December 2013; and general manager of Shenzhen Huaxin Bainian Equity Investment Fund Management Co., Ltd* (深圳華信柏年股權投資基金管理有限公司) from January 2014 to December 2015.

Mr. Wang graduated from Shanghai University of Finance and Economics in 2000 and obtained a bachelor's degree in economics with major in asset valuation and management. In 2003, he obtained a master's degree in economics from School of Public Economics and Management of Shanghai University of Finance and Economics. In 2007, he further obtained a PhD in management from School of Accounting of Shanghai University of Finance and Economics. Mr. Wang is a non-practicing member of China Association of Certified Public Accountants.

Sun Bo (孫博), aged 42, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Ms. Sun is responsible for the Group's project investment, research analysis and equity fund establishment in education sector. She has extensive experience in merger and acquisition, corporate investment and financing, investor relations, and research and development of innovative financial products. She is a director of a number of subsidiaries of the Company.

Ms. Sun served as a senior manager of Minsheng Securities Co., Ltd.* (民生證券有限責任公司) from December 1996 to February 2002, an investor relations vice president of Zhongyu Gas Holdings Limited (stock code: 3633) (transferred listing from the Growth Enterprise Market (stock code: 8070) to the Main Board of the Stock Exchange) from June 2004 to August 2010 and executive director of Great China Properties Holdings Limited (formerly known as Beauforte Investors Corporation Limited)(stock code: 21), a company listed on the Main Board of the Stock Exchange, from June 2006 to June 2007. Since December 2012, she was appointed as vice president of FC Fund. Ms. Sun was awarded a master of business administration from Anglia Polytechnic University in the United Kingdom in 2004.

He Yaobin (何耀彬), aged 36, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Mr. He provides assistance to the president of the Company, and is in charge of some financial services business of the Company. He is a director of a number of subsidiaries of the Company.

Mr. He served as vice president of a venture capital company and vice president and director of a fund management company in China. Mr. He has many years of extensive experience in venture capital and business management, and is familiar with the financial systems, financing platforms, and capital market operations both within China and overseas. He participated in many merger and acquisition projects within and outside China as well as investment analyses and decision-making, and is well-versed in project operation, communication, assessment and negotiation. He is also skilled in the provisioning and integration of various resources for the purposes of the Group's management.

He Qingrong (賀慶榮), aged 55, was appointed as a deputy chief executive officer of the Company on 18 July 2016. Mr. He is responsible for the global promotion and operation of the Group's brand, merger and acquisition of companies/entities engaged in the overseas education industry, integration of international and domestic education resources, and brain-gain of international high-end talents in education management field. Mr. He has substantial work experience in the education and media industries. He served as a director of the public relations and marketing department and a director of the international cooperation department of New Oriental Education & Technology Group Inc., which is a provider of private educational services in the PRC. He was also a senior sports journalist of the British Broadcasting Corporation and a lecturer of Shanghai International Studies University.

Mr. He successively obtained a bachelor of arts degree with a major in British and American languages and literature studies from Shanghai International Studies University, a bachelor of arts degree with a major in mass communication studies from Shanghai International Studies University and a master of arts degree with a major in politics studies from University of Warwick.

Zhu Huanqiang (朱煥強), aged 47, was appointed as a deputy chief executive officer of the Company on 11 October 2016. Mr. Zhu is responsible for (i) the Group's financing business in China's capital market; (ii) mergers and acquisitions, restructuring and management of projects of the Group; and (iii) development of the Group's new business of financial services in China. Mr. Zhu has substantial experience in capital market. From May 1997 to October 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 October 2011 to March 2016, he served as a deputy general manager of China Securities Finance Corporation Limited ("**CSF**") and a member of Committee of Communist Party of China of CSF.

Mr. 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 doctorate degree in law with a major in civil and commercial law from China University of Political Science and Law in 2006.

Bai Zimin (柏子敏), aged 43, was appointed as a deputy chief executive officer of the Company on 27 October 2016. Mr. Bai is responsible for post-investment management of the Group's education projects. He is a director of a number of subsidiaries of the Company.

Mr. Bai has approximately 16 years of experience in project management and planning. From July 1999 to May 2012, he served various positions, including a director of officers, division head of information technology department and director of technology service department, responsible for information development, major project planning and implementation, at the People's Procuratorate of Sichuan Province. From May 2012 to August 2015, he served as a standing committee member and a vice chief executive of Zizhong County, Neijiang, Sichuan Province* (四川省內江市資中縣委常委及副縣長) and was responsible for development and reform, price management, urban and rural construction planning, and foreign affairs and travel. Since March 2016, he has been the chairman of the board of First Capital Education Investment (Shenzhen) Company Limited* (首控教育投資(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, and is responsible for the overall management and strategy development. Since October 2016, he has also become a non-executive director of Bojun Education Company Limited, which is principally engaged in the provision of private education services in the PRC.

Mr. Bai graduated from Chongqing Normal College* (重慶師範學院) with a bachelor's degree in mathematics education in 1996 and from Southwest Jiaotong University with a master's degree in applied computer science in 1999. He further obtained a doctorate degree in management studies from Sichuan University in 2009.

Li Minwen (李民文), aged 48, was appointed as the chief operating officer of the Company on 4 November 2016. Ms. Li 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 departments of the middle and back office of the Group; and (iii) facilitating collaboration and cooperation among various departments of the Group. From July 1996 to December 1999, she served as a deputy general manager of the Beijing management headquarter of Shenyin & Wanguo Securities Company Limited* (申銀萬國證券股份有限公司). From October 2000 to July 2009, she served as the secretary-general and a deputy secretary-general of the Securities Association of Beijing* (北京證券業協會) respectively. From July 2009 to February 2013, she served as a deputy general manager of the securities brokerage business department of Beijing branch of China Merchants Securities Co., Limited. From February 2013 to November 2016, she served as an executive director and head of channel management department of China Merchants Securities (HK) Co., Limited.

Ms. Li obtained a bachelor's degree in finance from Xinjiang College of Finance and Economics* (新疆財經學院) in 1990 and a master's degree in economics from People's Bank of China Research Institute of Finance* (中國人民銀行總行金融研究所) in 1993.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the 2016 Financial Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started moving into new businesses, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, credit financing and immigration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the aforementioned businesses while developing its education investment. It shifted its principal focus onto education investment and obtained support from its own diversified financial services units, in the hope of building a platform of operation, investment and financing in the education sector driven by "Education Investment plus Financial Services" thereby delivering long-term and stable cash flow and creating favorable investment returns for its shareholders and partners.

SUBSIDIARIES

Details of the principal activities of the Company's subsidiaries as at 31 December 2016 are set out in note 44 to the consolidated financial statements of this annual report.

RESULTS

The results of the Group for the 2016 Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING

The Company will hold an AGM on Thursday, 1 June 2017. Notice of the 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 Friday, 26 May 2017 to Thursday, 1 June 2017, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2017, for registration.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the 2016 Financial Year are set out in note 37 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements in the reserves of the Group during the 2016 Financial Year are set out in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the distributable reserves of the Company amounted to RMB2,541.8 million (31 December 2015: RMB406.8 million), comprising the share premium, the capital reserve and the retained earnings of the Company.

Under the Companies Law (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.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, the Group had property, plant and equipment at net book value of RMB816.7 million (31 December 2015: RMB468.3 million). Details of the movements are set out in note 17 to the consolidated financial statements of this annual report.

DONATIONS

During the 2016 Financial Year, the Group made charitable and other donations totaling RMB370,000 (2015: RMB188,000).

CAPITALIZED INTERESTS

During the 2016 Financial Year, the Group did not capitalize any interest expenses related to properties under construction development (2015: Nil).

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 Financial Summary of this annual report.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2016 and 2015, sales to the Group's five largest customers accounted for 56.0% and 60.2% of the total revenue of the Group, respectively, of which sales to the largest customer accounted for 26.7% and 22.6%, respectively.

For the years ended 31 December 2016 and 2015, purchases from the Group's five largest suppliers accounted for 28.8% and 33.1% of the total purchases of the Group, respectively, of which purchases from the largest supplier accounted for 8.2% and 9.7%, respectively.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2016, 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 law of 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the 2016 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.

DIRECTORS

The Directors during the 2016 Financial Year and up to the date of this annual report were:

Executive Directors

Mr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun *(Chief Executive Officer)*
Mr. TANG Mingyang
Mr. YAN Haiting
Ms. LI Dan
Mr. WANG Wenbo *(until 31 March 2016)*
Ms. YANG Weixia *(until 31 August 2016)*

Non-Executive Director

Mr. LI Hua

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Mr. LI Zhiqiang
Mr. CHEN Gang
Mr. ZHANG Jinhua *(until 31 August 2016)*

According to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy 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.

Ms. Li Dan was appointed as an executive Director and Mr. Chen Gang was appointed as an INED on 29 August 2016, with effect from 1 September 2016. As such, Ms. Li Dan and Mr. Chen Gang will hold office until the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

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 no 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. As such, Mr. Zhao Zhijun, Mr. Yan Haiting and Mr. Li Zhiqiang will retire, being eligible, offer themselves for re-election.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

PROFILES OF DIRECTORS

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

CHANGES OF DIRECTORS AND DIRECTOR'S INFORMATION

As disclosed in the Company's announcement dated 29 March 2016, (i) Mr. Wang Wenbo tendered his resignation as an executive Director; (ii) Mr. Tang Mingyang was appointed as an executive Director; and (iii) Mr. Li Hua was appointed as a non-executive Director, all with effect from 1 April 2016.

At the AGM held on 8 June 2016, an executive Director, Mr. Wilson Sea, and two INEDs, Mr. Chu Kin Wang, Peleus and Mr. Zhang Jinhua, have retired and offered themselves for re-election at the meeting according to Article 84(1) of the Articles of Association.

Since Mr. Tang Mingyang, an executive Director, and Mr. Li Hua, a non-executive Director, were appointed by the Board, they have retired and offered themselves for re-election at the AGM held on 8 June 2016 according to Article 83(3) of the Articles of Association.

As disclosed in the Company's announcement dated 29 August 2016, (i) Ms. Yang Weixia tendered her resignation as an executive Director and an authorised representative of the Company; (ii) Mr. Zhang Jinhua tendered his resignation as an INED, a member of the audit committee of the Company (the "**Audit Committee**"), the nomination committee of the Company (the "**Nomination Committee**") and the strategy committee of the Company (the "**Strategy Committee**") and the chairman of the remuneration committee of the Company (the "**Remuneration Committee**"); (iii) Ms. Li Dan was appointed as an executive Director; (iv) Mr. Chen Gang was appointed as an INED, a member of the Audit Committee, the Nomination Committee and the Strategy Committee and the chairman of the Remuneration Committee; and (v) Mr. Yan Haiting, an executive Director, was appointed as an authorised representative of the Company, all with effect from 1 September 2016.

On 7 October 2016, (i) Ms. Li Dan, an executive Director, was appointed as a member of the Remuneration Committee and the Nomination Committee; (ii) Mr. Li Zhiqiang, an INED, was appointed as a member of the Remuneration Committee and the Nomination Committee; (iii) Mr. Tang Mingyang, an executive Director, was appointed as a member of the Strategy Committee; and (iv) Mr. Li Hua, a non-executive Director, was appointed as a member of the Audit Committee and risk management committee of the Company (the "**Risk Management Committee**").

During the 2016 Financial Year, save as the aforementioned, there had been no other changes regarding the Directors and their information during the period under review which are required to be disclosed under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

All executive Directors had entered into service contracts with the Company. Details of the service contracts 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 non-executive Directors (including 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 2016 Financial Year is set out in note 14 to the consolidated financial statements of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the 2016 Financial Year.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries.

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 person has or may have with the Group.

SHARE OPTION SCHEME

Pursuant to the written resolutions of Shareholders passed on 19 October 2011, the Company adopted the Share Option Scheme subject to the terms and conditions therein. The Share Option Scheme will remain in force for a period of 10 years from the Listing Date.

A. Summary of the Share Option Scheme

1. Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph 2 below) have made or may make to the business development of the Group.

2. Eligible Participants

The Board may at its discretion offer options to any executive Director, non-executive Director or INED; any employee of the Group and any customer, supplier, agent, business or joint venture partner, consultant, distributor, promotor, service provider, adviser or contractor of any member of the Group. The above-mentioned persons are collectively referred to as "**Eligible Participants**" and each an "**Eligible Participant**".

3. Maximum number of Shares

As at the date of this annual report, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes was 160,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date having enlarged by five times due to the Share Subdivision.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. Options may not be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

4. Maximum entitlement of each Eligible Participant

Unless approved by the Shareholders, 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 and duration of the Share Option Scheme*

(a) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme 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. There is no minimum period for which an option must be held before it can be exercised.

Unless the Board otherwise determined, a grantee is not required to achieve any performance target before any options granted can be exercised.

(b) Duration of the Share Option Scheme

The duration of the Share Option Scheme shall be 10 years from the Listing Date.

6. *Subscription price and payment on grant*

(a) Subscription price

The Subscription price for the Shares under the Share Option Scheme shall be the price determined by the Board and notified to the Eligible Participant which shall not be less than the highest of:

(i) the nominal value of a Share;

(ii) the closing price of each Share as stated on the Stock Exchange's daily quotations sheet on the date of grant of the option; and

(iii) the average closing price of each Share as stated in the Stock Exchange's daily quotation sheet for the five consecutive trading days immediately preceding the date of grant of the option.

(b) Payment on grant

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

7. *Termination of the Share Option Scheme*

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme. 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.

B. Options granted by the Company

As at date of this annual report, no option has been granted or agreed to be granted under the Share Option Scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the Directors and the chief executive 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 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

	Number of issued Shares held and nature of interest		
Name of Directors	**Personal Interests (beneficial owner)**	**Corporate Interests (interests of a controlled corporation)**	**Approximate percentage of issued share capital of the Company**
Tang Mingyang[1]	–	804,360,000	17.95%
Wilson Sea[2] (formerly known as Xi Chunying)	–	510,520,000	11.39%

Notes:

1. These Shares are held by HK Chuang Yue. Mr. Tang Mingyang is the sole ultimate beneficial owner of HK Chuang Yue and hence is deemed to be interested in all the Shares held by HK Chuang Yue under the SFO.

2. These Shares are held by Wealth Max. Mr. 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 2016, none of the Directors or the chief executive 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 (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise required to notify to the Company and the Stock Exchange pursuant to the Model Code.

During the year ended 31 December 2016, none of the Directors or the chief executive of the Company (including their respective spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares, warrants or debentures (if applicable) of the Company and its associated companies (within the meaning of the SFO).

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

As at 31 December 2016, the following persons (other than a Director or the chief executive of the Company) 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

	Number of issued Shares held and nature of interest	
Name of Shareholders	**Personal Interests (beneficial owner)**	**Approximate percentage of issued share capital of the Company**
HK Chuang Yue[1]	804,360,000	17.95%
Wealth Max[2]	510,520,000	11.39%
Wang Lily[3]	510,520,000	11.39%
New Front Developments Limited[4]	461,372,000	10.30%
Wang Jingyan[4]	461,372,000	10.30%

Notes:

1. HK Chuang Yue is owned as to 100% by Shenmane.D Co., Limited, which in turn is wholly-owned by Golden Cloud Co., Limited, and which in turn is wholly-owned by Mr. Tang Mingyang.

2. Wealth Max is owned by Mr. Wilson Sea as to 100%.

3. Ms. Wang Lily is the spouse of Mr. Wilson Sea. By virtue of the SFO, Ms. Wang Lily is deemed to be interested in all Shares in which Mr. Wilson Sea is interested and/or deemed to be interested.

4. New Front Developments Limited is owned by Ms. Wang Jingyan as to 100%.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 December 2016, no other person had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company had maintained sufficient public float that the percentage of the Company's shares which are in the hands of the public exceeds 25% of the total number of issued Shares as required under the Listing Rules.

CONNECTED TRANSACTIONS

As disclosed in the Company's announcement dated 24 March 2016, Nanyang Cijan Auto Shock Absorber Company Limited* (南陽淅減汽車減振器有限公司), Mr. Zhao Zhijun, Ms. Yang Weixia and other joint venture partners signed the articles of association, pursuant to which the parties agreed to form an entity in the PRC, Nanyang Way Assauto Auto Shock Absorber Company Limited* (南陽威奧斯圖車輛減振器有限公司), for carrying out research and development, manufacture, sales and export of automobile shock absorbers and other automobile components of various types of vehicles in the PRC. As at the date of the announcement, Mr. Zhao Zhijun and Ms. Yang Weixia were executive Directors and therefore connected persons of the Company under the Listing Rules. Accordingly, the formation of the subsidiary constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. For further information, please refer to the Company's announcement dated 24 March 2016.

The related party transactions set out in note 41 to the consolidated financial statements of this annual report do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under Hong Kong Financial Reporting Standards 24, "Related Party Disclosures", and its interpretations by the Hong Kong Institute of Certified Public Accountants.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as the aforementioned, during the 2016 Financial Year, the Group had no connected transaction and continuing connected transactions that were not exempted under Rules 14A.31 and 14A.33 of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

A. Acquisition of 51% interest of Jinan Shijiyinghua Experiment School

Information about the operating subsidiaries

Jinan Shijiyinghua Experiment School is a boarding school providing high-end K-12 Education, comprising kindergarten, elementary school, middle school and high school, in the PRC. The interest in Jinan Shijiyinghua Experiment 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 Wuxi City Zhiye Constructions Engineering Limited* (無錫市置業建築工程有限公司) ("**Zhiye Company**") and First Capital Education Management (Shenzhen) Company Limited* (首控教育管理(深圳)有限公司) ("**FC Education (SZ)**"). Zhiye Company and FC Education (SZ), respectively, held 49% and 51% equity interest in Jinan Baofei.

From the acquisition date to 31 December 2016, the revenue of Jinan Shijiyinghua Experiment School amounted to RMB24.5 million. As at 31 December 2016, the total assets of Jinan Shijiyinghua Experiment School amounted to RMB190.1 million.

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 in 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 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 pre-school and high school education business in the PRC, the Group entered into contractual arrangements with the actual controllers of Jinan Shijiyinghua Experiment School, Jinan Shijiyinghua Experiment School, FC Education (SZ), Zhiye Company and Jinan Baofei. Through such contractual arrangements, the Group exercises control over Jinan Shijiyinghua Experiment School and its financial results, the entire economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the abovementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws, rules and regulations for the Group to hold the interest in Jinan Shijiyinghua Experiment 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 31 December 2016 are as follows:

(a) the equity pledge agreements entered into among Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) ("**Jinan WFOE**"), Jinan Baofei, Zhiye Company and FC Education (SZ), pursuant to which Zhiye Company and FC Education (SZ) shall pledge all of their respective equity interests in Jinan Baofei to Jinan WFOE as security for the performance of their obligations and/or that of Jinan Baofei under the exclusive option agreement and such other agreements as concluded to supplement the abovementioned agreements.

(b) the shareholders' entrustment letters entered into (i) between Zhiye Company and Jinan Baofei and (ii) between FC Education (SZ) and Jinan Baofei, pursuant to which Zhiye Company and FC Education (SZ) shall irrevocably authorize the Jinan WFOE to act on their behalf in all matters in relation to their respective equity interests in Jinan Baofei, including, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.

(c) the exclusive option agreements entered into among Jinan WFOE, Jinan Baofei, Zhiye Company and FC Education (SZ), pursuant to which Zhiye Company and FC Education (SZ) shall grant to Jinan WFOE irrevocable options to acquire all or part of their respective equity interests in Jinan Baofei.

(d) the exclusive business cooperation agreement entered into between Jinan WFOE, Jinan Shijiyinghua Experiment School and Jinan Baofei, pursuant to which Jinan Shijiyinghua Experiment School shall engage Jinan WFOE on an exclusive basis to provide consultancy services to it, including but not limited to daily management operation, staff training, technology support and marketing strategies.

For the year ended 31 December 2016, none of the contractual arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the contractual arrangements has been removed.

We have been advised by our PRC legal advisor that the contractual arrangements do not violate the relevant PRC regulations.

B. Acquisition of 58.3% interest of Xishan Schools

Information about the operating subsidiaries

Xishan Schools include four schools (namely, Fuqing Xishan School, Fuqing Xishan Vocational and Technical School, Jiangxi Xishan School and Xishan Education Group) comprising various kindergarten, primary schools, middle schools, high schools and vocational and technical 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**") 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 Mr. Zhang Wenbin, Mr. Lin Binguo, and FC Education (SZ). For further particulars of Xishan Schools and registered shareholders of Xishan Education, please refer to the announcement of the Company dated 22 November 2016.

From the acquisition date to 31 December 2016, the revenue of Xishan Schools amounted to RMB12.1 million. As at 31 December 2016, the total assets of Xishan Schools amounted to RMB702.2 million.

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 in 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 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 pre-school and high school education business in the PRC, the Group entered into contractual arrangements with the actual controllers of Xishan Schools, FC Education (SZ), Xishan Schools, Xishan Education, Fujian Company and Jiangxi Company. Through such contractual arrangements, the Group exercises control over Xishan Schools and their financial results, the entire economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the abovementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws, rules 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 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 31 December 2016 are as follows:

(a) the equity pledge agreements entered into among Fuzhou Quanyue Education Consulting Company Limited* (福州全悅教育諮詢有限公司) ("**Fuzhou WFOE**"), 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 WFOE as security for the performance of their obligations and/or that of Xishan Education under the exclusive option agreement and such other agreements as concluded to supplement the abovementioned agreements.

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

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

(d) the equity pledge agreements entered into among Fuzhou WFOE, 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 under the exclusive option agreement and such other agreements as concluded to supplement the abovementioned agreements.

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

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

(g) the exclusive business cooperation agreement entered into between Fuzhou WFOE and Xishan Group, pursuant to which Xishan Group shall engage Fuzhou WFOE on an exclusive basis to provide consultancy services to them, including but not limited to daily management operation, staff training, technology support and marketing strategies.

For the year ended 31 December 2016, none of the contractual arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the contractual arrangements has been removed.

We have been advised by our PRC legal advisor that the provisions under the structured contracts comply with the PRC Contract Law, the PRC Civil Law, and other PRC Laws and Regulations including those applicable to the business of the Xishan Group.

C. Risks relating to the contractual arrangements

The Group considers that the following risks are associated with the contractual arrangements entered by the Group in respect of the acquisitions of interests of Jinan Shijiyinghua Experiment School and Xishan Schools:

– there is no assurance that the structure contracts under the contractual arrangements would comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the structure contracts do not comply with the applicable regulations;

– the structured contracts may not be as effective in providing control over and entitlement to the economic benefits in the schools as compared to direct ownership;

– the Group's ability to acquire the entire equity interest in or assets of the schools may be subject to various limitations and substantial costs;

– structure contracts may be subject to scrutiny by the PRC tax authorities, and any finding that the schools owes additional taxes could substantially reduce the consolidated net income of the schools and the value of the Group's investments in the schools; and

– the Group would not be able to purchase any insurance to cover the risk relating to the structure contracts due to the unavailability of relative insurance products in the market.

In order to have effective control over and to safeguard the assets of the schools, the structured contracts provide that without prior written consent of the Group, there shall be no sale, transfer, mortgage or disposal of in any manner any assets, whether tangible or intangible, legitimate interests in the business or revenue of the schools or creation of any encumbrance thereon.

REMUNERATION POLICY

As at 31 December 2016, the Group had 4,007 employees (31 December 2015: 1,643 employees). For the year ended 31 December 2016, the Group's total remuneration and welfare benefits expenses amounted to RMB213.5 million (2015: RMB112.9 million). The Group's remuneration policy is primarily based on the job responsibilities, work experience and length of services of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience and the prevailing market condition.

Pursuant to the Corporate Governance Code provision B.1.5, for the year ended 31 December 2016, the remuneration of the members of the senior management of the Group by remuneration band is set out below:

Remuneration band (RMB'000)	Number of individuals
500 to 1,000	1
1,001 to 1,500	1
1,501 to 2,000	2
2,001 to 2,500	1
2,501 to 3,000	4
3,501 to 4,000	1
4,001 to 4,500	1
6,001 to 6,500	1
7,001 to 7,500	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. Under the MPF Scheme, each of the employer and employee are 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.

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

For the year ended 31 December 2016, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB15.1 million (2015: RMB10.0 million). Details of the Group's retirement benefit scheme and the basis of calculation are set out in note 42 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

Other than employment with employees of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed with any individual, company or body corporate during the 2016 Financial Year by the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Details on the corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

AUDITORS

The consolidated financial statements for the 2016 Financial Year have been audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed for approval by the Shareholders at the forthcoming AGM.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of this annual report. The Audit Committee comprises three independent non-executive Directors (namely Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang) and one non-executive Director (namely Mr. Li Hua).

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2016, the Group has not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

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

The annual report of the Company for the year ended 31 December 2016, which contains all information as required by the Listing Rules, has been dispatched to the Shareholders and will also be available on the website of the Stock Exchange at http://www.hkex.com.hk and the Company's website at http://www.cfcg.com.hk.

SUBSEQUENT EVENTS

Subdivision of Shares

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

Formation and Subscription of a Trust

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

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

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

APPRECIATION

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

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

Hong Kong
28 March 2017

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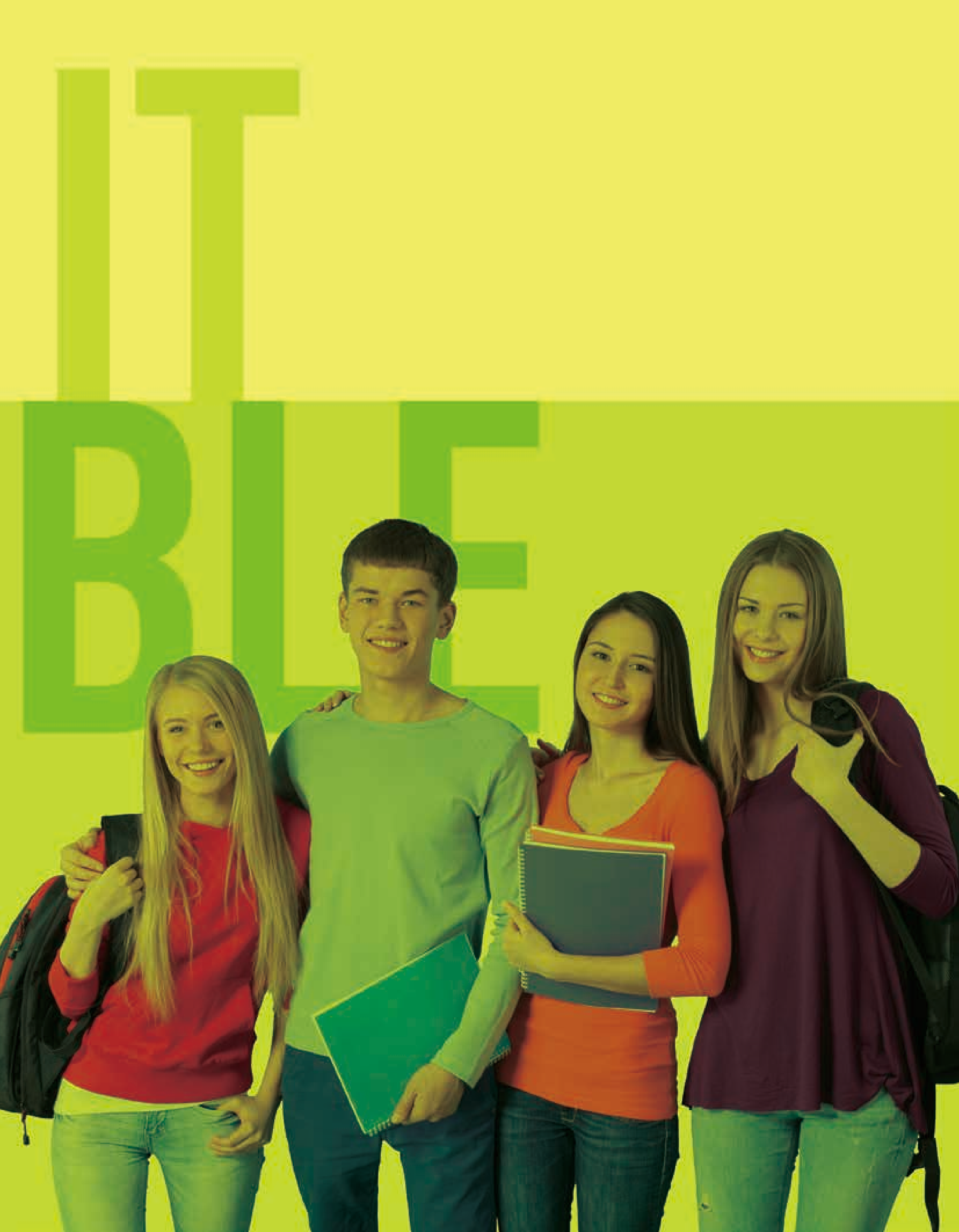
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WE CARE WHAT YOU CARE

I. INTRODUCTION

The Group is committed to sustainable development and insists on fulfilling social responsibilities. The Group firmly believes that environmental protection issues are an important topic in today's society, and adheres closely to its concept of energy saving and environmental protection through itself in every aspect of the Group's business in order to make due contribution to the settlement of global climate change issues. The Group is of the view that we will integrate environmental protection and social issues into our work and daily lives at both the leadership level and employee level in the hope of making annual improvement in energy saving and emission reduction and social responsibility fulfillment.

II. PERIOD AND CONTENT COVERED IN THE REPORT

The operation scope covered in this environmental, social and governance report ("**ESG Report**") includes the Group's education investment business in Shandong Province, automotive parts business in Henan Province and financial service business in Shenzhen and Hong Kong. The period covered in this ESG Report is the 2016 Financial Year.

III. STAKEHOLDER ENGAGEMENT

During the preparation of this ESG Report, the development of stakeholder engagement is beneficial to the analysis of all individuals and organisations having a stake in the Group regarding their level of concern and importance towards the Group's environmental, social and governance practice. The Group's stakeholders include, among others, Shareholders, investors, employees, customers, suppliers, business partners, media, government and regulatory authorities. We believe that stakeholder engagement serves as a basis for the Group to formulate its strategies and implement its decisions, exerting certain influence on the formulation of sustainable development policies and strategies and the fulfillment of social responsibilities by the Group.

The Group carried out a survey by way of stakeholder involvement in the 2016 Financial Year. We collected the recommendation and advice to the Group in respect of environmental, social and governance areas from customers, suppliers, internal employees, shareholders, professional organizations and media randomly selected by us through various communication channels, such as online questionnaires, telephone interviews, face-to-face interviews or questionnaires distribution. As such, we confirmed that the Group was of relatively high importance as to the employment legality and compliance, environmental protection policy, occupational health and safety and operational management compliance. This ESG Report will cover every issue of high importance and provide a description on the efforts and improvements made by the Group in such areas. The Group will place great emphasis on every aspect involving these issues in its long-term operation and formulate corresponding strategies, improve policies and set up long-term goals.

IV. SUSTAINABLE ENVIRONMENT

Global warming has become increasingly serious in the past two decades, and the air and water pollution caused by human activities is also getting even worse, therefore, the environmental protection issues are drawing greater attention. The Group has been concerned with global warming issues for a long time, and to the best of their knowledge, both the management and every single employee of the Group should shoulder the responsibility to alleviate global warming. The Group is committed to making contribution to environmental protection, integrating the idea of sustainable development into every segment of business operations, and taking energy saving and emission reduction as the Group's key issues during its operation.

A. Environmental

A1. Emissions

Education Investment Business

The Group's education investment business is situated in Jinan City, Shandong Province. The schools invested in establishing a 300-ton sewage treatment station in 2015, and the sewage was dealt with by an activated sludge process. The schools used the processed water from the sewage treatment station to irrigate its vegetable farms, orchards and green plants, thereby achieving the objectives of water resource recycling and water saving.

The schools pay much attention to educating students to dispose garbage by classification. The schools have waste classification bins in place for the daily classification of discarded garbage. The garbage which cannot be decomposed by microorganisms, such as metal, glass and plastic, will be collected centrally and sent to large-scale garbage disposal stations; and the garbage which can be decomposed by microorganisms will be composed in full, with the resulting fertilizer being used in vegetable farms, orchards and afforested areas of the schools. The food waste from school canteens will all be taken by feedlots as livestock's feed to maximize the utilization of resources while mitigating the influence of solid waste on the environment.

Financial Service Business

The Group's financial service business is mainly operated in office, and the resulting emissions are only limited to, among others, employees' domestic waste, domestic sewage, waste paper, and waste office stationery. The Group encourages its employees to dispose garbage by classification, buy less take-out food in order to reduce food packaging wastes generated, and use their own lunch boxes. The Group also encourages the employees to save paper and water, and to recycle waste stationery.

Automotive Parts Business

The Group has established and operated the GB/T24001-2004 environmental management system in the automotive parts manufacturing plants. The environmental emissions generated mainly include sewage, exhaust gas, solid waste and noise, among which sewage mainly includes production sewage and domestic sewage, exhaust gas includes toxic and harmful gases from automobiles, machines and chemicals, solid waste includes production waste and domestic waste, and noise includes machinery noise and vehicle noise. The Group has formulated a specific internal management program to cautiously and strictly manage all emissions in order to prevent the environmental pollution caused by emissions and to enhance the disposal and utilization of solid waste.

The Group centrally collects and delivers renewable waste such as waste membrane and waste paper to waste recycling department for recycling and reusing. For domestic waste, the Group collects such waste by using garbage recycling bins and bags, and then the municipal garbage recycling department collects the same for unified disposal. For hazardous waste generated in the production and manufacturing processes, the Group has in place containers exclusively for the collection of such hazardous waste to ensure that there is no leakage or evaporation. Waste oil drums will be recycled by oil suppliers, waste mineral oil will be purchased and handled by professional refineries, rag and membrane stained with oil will be cleaned for reuse, and a small part of waste oil will be reused for rolling mill equipment as lubrication.

Sewage generated from waste cleaning fluid and waste reagents in the production process is treated by the self-established sewage process system of the plant and will only be discharged if it meets certain standard under strict monitoring. Domestic sewage is mixed and then discharged into the sewers, handled by the self-established sewage process system of the plant and discharged if it is up to standard.

The Group strictly monitors and controls exhaust gas produced. Air pollutants were mainly generated from heat treatment, various cleaning and automobile painting workshop in the automotive parts manufacturing plants. The Group's equipment and power department has in place exhaust funnels and air purifiers to handle the waste gases and make air pollutants up to standard before they are discharged. The exhaust emission shall be inspected in the annual company vehicle inspection organized by the Group to ensure that unleaded gasoline is used and vehicle exhaust emission reaches air pollutant emission standard. The procurement/sales department takes a role in pressing suppliers to avoid excessive dust emission by the transporting vehicles in the process of product transportation.

The Group strictly controls the noise which mainly comes from equipment at the production site. The Group takes noise level as one of the standards in selecting and inspecting the equipment ordered. The Group installs elastic cushion or sets damping foundation for the equipment that causes great vibration and noise, uses damping muffler joints or specific mufflers in order to reduce noise efficiently. All flank walls of the workshops other than the dado are built to be sound-absorbing, and sound-absorbing materials are used in the ceiling. The Group's plant greening adopts a composite greening structure of lawns, shrubs and arbors to prevent pollution and reduce noise for the purpose of mitigating the influence of noise on the surroundings. A noise testing indicates that the Group has reached the noise emission standard, ensuring that it would not affect the normal living environment of residents in the surrounding areas after the Group adopted the damping devices and soundproofing devices, and set soundproofing covers for workshops.

A2. Use of Resources

Education Investment Business

The Group places great importance on the rational resource consumption within the campus, especially electricity and water consumption. The Group requires all its staff and students to enhance their sense of ownership to save electricity and water spontaneously. The schools are committed to reducing energy consumption by installing a heating system combining air heat kinetic energy with solar energy, solar street lights and the solar lighting system in gymnasium and basketball court. The schools have also taken the following measures to save electricity and water:

- Post water saving tips in the restroom and bathroom to remind the staff and students to save water at any time;

- Switch off the lighting device in due course and use natural light as far as possible depending on the lighting condition;

- Staff leaving office or finishing work should switch off the lights;

- The air conditioner can be switched on only when indoor temperature is higher than 30°C in summer or is lower than 0°C in winter. Turn off the air conditioners 10 minutes before getting off work. Never turn on the air conditioner if there is no one in the room, and the doors and windows shall be closed when the air conditioner is switched on;

- Indoor air conditioner temperature shouldn't be set to be lower than 26°C in summer and shouldn't be set to be higher than 25°C in winter;

- Computers and nearby equipment should be shut down if the users leave the office for over 4 hours while the computer screen shall be turned off if it remains idle for over 30 minutes;

- Office equipment such as photocopiers and printers should be switched off after working hours, and should be switched off in a timely manner at the time when they are no longer necessary if such equipment are needed after work;

- Never use high-power equipment in the school which is not provided by the school;

- Small electric devices carried by individuals such as mobile phone chargers should immediately be removed from the power outlet after being used, and never be put on hold for a long time.

Financial Service Business

The Group's financial service business is primarily operated in the office, consuming electricity and water resources. The Group conducts publicity and promotional activities on electricity and water saving among our staff, implementing "lights out whenever gone" principle, turning the computer to sleep mode when leaving their seats and turning it off after work, requiring full inspection on air conditioners, lights and computers whether they are switched off by the last colleague who leaves the office, keeping the temperature in the office appropriate, and usage of energy-saving office equipment and lighting.

Automotive Parts Business

The Group actively responds to the PRC's call on energy and water saving, emission and cost reduction. It has established a leading team on water saving management, held several meetings about water saving, set up the ten-year water saving plan of Xichuan Automobile Shock Absorber Factory, strongly promoted water saving and constantly enhanced the awareness of water saving among the staff. It focuses on enhancing the research on reuse of water resource, combing with the enterprise's actual production procedures to set up various water saving measures. In the meantime, the Group actively improves the examination process, enhances supervision and inspection and wipes out any chances of leaking. It continues to expand transformation on water supply pipe network and surveillance on water supply facilities, actively applies new techniques and disposes old equipment that costs much but generates less. The water saving measures taken by the Group include:

- Water supply by the energy and equipment department shall take place pursuant to prescribed timetable. Overtime or not on schedule water supply is not allowed;

- Water usage inspection by personnel assigned by the energy and equipment department on all water using units in the factory and immediate repair on leaking as soon as spotted during the water supply period;

- All water using units must save water and close valves in time while the equipment no longer needs water so as to prohibit cases like leaking;

- Requirement to install water meters for all water using places, evaluation on the water using unit, immediate replacement for any broken water meters;

- Monthly water using quota on each water using unit is determined and imposed according to the water using plan's gross quota and corporate control quota instructed by the superior water saving management department, with any excess on the quota subject to penalties by relevant assessment methods;

- Regular maintenance on fire pumps, inspection and prevention from leaking.

To reduce the consumption of diesel, the Group uses regenerative thermal oxidizer to heat up organic fumes over 760°C, the volatile organic compounds in fumes were then oxidized and degraded to carbon dioxide and water. When the high-temperature airflow from the oxidization goes through specialized heat-restoring ceramic, the ceramic heats up and restores the heat, and the restored heat is used to warm up the incoming organic fumes, thus saves the fuel consumption to heat up fumes, and effectively reduces consumption on diesel fuel. All pipes from boiler station supplying steam are wrapped in heat-preserved crag cotton with heavy anti-corrosion resin paint. The outmost layer is galvanized by iron casing which provides protection from rain and humidity, keeps the pipe warm and efficiently lower the consumption of boiler fuel.

The packaging materials used by the Group sorted by material mainly include: iron box, cardboard box and wooden box. To enhance the utilization of the packaging materials, the Group's major customers use recyclable packaging materials. Except for few products required iron box, new products are packed in cardboard box. The Group strictly complies with the PRC's standard and bears environmental and energy saving in mind by using environmental packaging materials and actively recycling and reusing packaging materials.

A3. The Environment and Natural Resources

For protection of water and soil and beautification of the environment, the Group proceeded modification on the automotive parts manufacturing factory in Henan province according to a garden-like factory design. It planted over 500 trees such as camphorwood, loquat tree, Chinese parasol tree, ginkgo, peach and Japanese photinia and others around the plant and on both sides of the road.

The Group is well aware that the earth's natural resources are limited, and attaches great importance to the conservation of natural resources and improvement of its efficiency. The natural resources the Group consumed involve paper and to raise the efficiency on printing and minimize paper consumption, the Group requires all employees to:

- Use double-sided printing for all internal documents except for formal documents (documents that require leaders' signatures or application forms);
- Choose smaller characters and wider page margins so that more text would be filled in each page;
- Seriously review all kinds of information and format before printing in order to reduce printing errors;
- Use e-mails as much as possible and reduce paper usage on fax (paper printed on one side could be used for fax paper). Scan paper fax into digital file and send it by e-mail to save paper and phone charges;
- Change from "use-dispose" to "use-recycle" and tidily separate paper printed on one side and paper printed on both sides for easy recycling and re-use;
- Paper printed on one side could be used for manuscript paper or printing paper.

The schools of the Group pay more attention to saving paper and dealing with waste paper. The schools specifically stated the idea about paper saving in staff manual and student handbook. The schools entered into a long-term contract with the paper factory, pursuant to which, the factory recycles test papers and textbooks to reprocess them. The schools encourage senior students to cherish their textbooks and pass them to students in lower grades for circular use. Staff and management personnel try to use e-mail for file transmission except for information that requires a copy of it.

The automotive parts business of the Group adopted new System Applications and Products system in the 2016 Financial Year. Goods passing in and out of storage and taking are handled by the system platform without material requisition sheet and outgoing list for approval. In addition, it adopted Real Time eXchange, intranet website and other ways to report production and operation information like production plans and sales orders and so on. The Group simplifies procedures and adopts paperless office to save paper, pens and other office supplies.

V. SUSTAINABLE SOCIETY

B. Social

Employment and Labour Practices

B1. Employment

The Group believes that employee is one of the most valuable assets in a corporation. As the Group continues to grow, it is critical to build a sustainable workforce and remain committed to attracting and retaining talents. The Group has strictly complied with applicable employment laws and regulations in Hong Kong and the PRC, including the Employment Ordinance, the Minimum Wage Ordinance, the Employees' Compensation Ordinance and the Mandatory Provident Fund Schemes Ordinance in Hong Kong and the Labor Law, the Employment Promotion Law, the Labor Contract Law and the Social Insurance Law of the PRC and the other related laws, to ensure that employees are provided with legal and reasonable wages and welfares, to prevent the employment of child labor effectively and to give employees humane and fair treatment. The Group respects all employees and formulates the Equal Employment Policy (《平等就業政策》); we do not discriminate on the grounds of race, religion, color, sex, nationality, sexual orientation, marital status and disability in the employment, training, performance management, talent selection and accounting of wages and salaries, guaranteeing fair treatment. The Group has zero tolerance for discrimination or harassment in any workplace. The Group will take corresponding disciplinary action if there is any breach of the law relating to the Equal Opportunities Policy. Meanwhile, we strictly follow the Equal Employment Policy and prohibit any unlawful or unreasonable dismissal. The Group's Human Resources Department regularly reviews the latest local laws and regulations to renew related human resources policies.

In order to attract, motivate and facilitate the construction and development of the workforce, the Group will take into account such factors as working experience, expected working ability, background, salary level for the position in the market and internal budget of the Group when recruiting new employees. After passing the interview, the employment application will be examined by Human Resources Department and approved by the management. Existing staff will be assessed at least once a year on the basis of such factors as their working ability, performance, salary level for the position in the market and internal budget of the Group, and outstanding employees will be rewarded. The Group ensures that all employees are treated equally during the period of recruitment and employment and all employees are given development and promotion opportunities at an appropriate time.

The staff's working and rest time are in line with local employment laws and prescribed in the employment contract. In addition to statutory paid leave, applying for social insurance, housing provident fund, business travel accident insurance, and a competitive compensation system, employees are also entitled to marriage leave, maternity leave, paternity leave, compassionate leave, etc. In order to promote friendship among employees, build harmonious team relationships and cultivate a sense of belonging among employees, the Group organizes various types of activities every year, including mountain climbing, training, Hong Kong-Shenzhen business exchange sessions, new employees gathering, Mid-Autumn Festival gathering, Christmas parties, etc..

Staff and the management maintain effective two-way communication; daily opinions can be communicated through WeChat, bulletin board, e-mail, employee manual, training, meeting and so on, to encourage employees to express their comments and suggestions about working environment, treatment and other aspects. Interactive communication is beneficial to the Group's decision making process and produces a close employer-employee relationship.

B2. Health and Safety

The Group is committed to providing employees with a safe and healthy working environment, and complying with the various relevant laws and regulations of Hong Kong and the PRC, including occupational safety and health policies such as the Production Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases, Work-related Injury Insurance Regulations as well as the Occupational Safety and Health Ordinance. The Group also urges the responsible persons at all levels to take full responsibilities on safety management tasks at production line and all aspects of work and timely eliminate the hidden danger. The Group adheres to the concept of anti-smoking, anti-drug and alcohol abuse policies, continuously strengthens the safety awareness of employees at work and ensures that the employees are provided with a clean, smoke-free, healthy and safe working environment. The Group also pays attention to the health and safety of its employees. We regularly carry out air-conditioning system cleaning, carpet disinfection, carpet and office formaldehyde removal, the establishment of safety and health notice and safety warning signs and staff physical examination, etc. In the 2016 Financial Year, the Group did not have any work-related accidents and any negative problems in respect of health and safety.

B3. Development and Training

The Group is committed to developing talents. We train staff with different positions and experience on a regular basis. The Group's training programs include orientation training for new employees, business upgrading courses and management enhancement courses, etc. The training of the Group is now mainly focused on professional orientation, which aims to meet the continuing training hours required by yearly professional qualification for employees in professional vocational fields, and supplemented by the Company's internal trainings in different businesses and operation, to make sure that employees are equipped with enough capacities at the professional knowledge level and daily working level. The training activities in the 2016 Financial

Year included compliance and risk management training, the perspectives on global investment outlook and asset management, the new situation after the Brexit and so on. The Group also encourages our employees to participate in external training, seminars and examinations to obtain work-related professional licenses or qualifications to raise their self-value, and to improve their business know-how and professional standards. If they pass recognized examinations successfully, the employees may, with the consent of the Company, be reimbursed by the Company for the professional qualification fees.

To provide support to the Group's financial service business and meet the annual requirements of the SFC, each licensed employee must undertake his responsibility to conduct, maintain and participate in on-going training for each regulated activity to ensure that working ability of the licensed employee can meet the standards of requirements and to help that relevant employee fulfill his functions. The Group must ensure that licensed employees are in compliance with the SFC's requirement that all licensed employees must adequately record the courses and continuing training activities which they have participated in and keep these records for at least three years for future reference, and show the relevant records when requested by SFC or Hong Kong Monetary Authority.

B4. Labor Standards

The Group prevents the employment of child labor and forced labor by strictly complying with the Labor Law of the PRC, Provisions on the Prohibition of Child Labor of the PRC, Law of the PRC on the Protection of Minors and other relevant labor laws and regulations. The Group's Human Resources Department requires all employees to provide valid identification documents before their employment, to demonstrate their compliance with basic employment (age) requirements and to make sure that the Group fully complies with relevant laws and regulations about prohibiting child labor and forced labor. In case of discovery of child labor or forced labor, the Group will immediately terminate the labor relationship with the party and send such relevant personnel to the statutory bodies. The Group will regularly review the implementation of human recourse policies to thoroughly eliminate the risks of hiring child labor, minors and forced labor. In the 2016 Financial Year, the Group did not hire any child labor or forced labor.

Operating Practices

B5. Supply Chain Management

Education Investment Business

The primary suppliers of the school are the building contractors and the peddlers that supply rice, noodles, oils, meat and seasonings to the canteens. The school focused on how to choose suppliers. The suppliers must be legally established corporations and there were no illegal acts existed during their operation process. The suppliers must also have industry qualification for providing the products required. The school has set up Management System on Choosing Suppliers (《供應商選擇管理制度》), and the basic criteria for purchase is Q.C.D.S Principle that is a principle focusing on quality, cost, delivery and service. Among them, quality is regarded as the most important factor. The suppliers shall set up a stable and effective quality management system as well as possess the equipment and process capability for producing the specific products required. The second are cost and price, as we achieve cost savings through cost analysis and price win-win negotiation about the involved products. In respect of delivery, the schools choose the suppliers that can provide materials stably in a long term with sufficient enterprise strength, production capacity and human resources. Meanwhile, the schools also take into account the suppliers' pre and after sales service records.

Before choosing the suppliers, the Group will conduct trial-production by their samples, such suppliers will become our qualified suppliers subject to successful trial-production. The procurement department is responsible for the management of suppliers by setting up strict system on choosing suppliers, and maintaining the List of Qualified Suppliers (《合格供應商名單》) under the system. In case of any quality issue, we will communicate with such suppliers in time and assist the suppliers to remedy the minimum loss. We see "Join hands for mutual benefit" as our belief. We conduct measures for suppliers such as regular satisfaction surveys and focused trainings to positively maintain and construct a good relationship with them with mutual trust.

Financial Service Business

The primary suppliers of the Group in financial service business and immigration consulting service include the Hong Kong Exchanges and Clearing Limited, the securities trading system and financial information service suppliers. Our standards and principles of selecting suppliers are that the products and services provided should be in compliance with laws and regulations, safe and solid as well as with highly added value. The Group has been undertaking its social responsibility in its operation and is the local legal licensed institution (the financial service providers shall obtain the business licenses/certifications from SFC or Hong Kong Monetary Authority or other administrative authorities) with solid financial performance. We conduct examination regularly to understand if the suppliers are chastised or punished by local regulatory authorities and to check the law-enforcement information available to the public.

Automotive Parts Business

The Group is one of the largest manufacturers of automobile shock absorbers nationwide, mainly engaged in manufacturing shock absorbers for premium-medium end automobiles, supplemented by those for heavy vehicles, passenger vehicles and light vehicles. To ensure there are sufficient material reserves from suppliers for our plants, the plants will arrange purchasers to collect relevant information of potential suppliers through various ways, including internet, advertisement, exhibition and other media as well as by direct communication with suppliers. In respect of the potential suppliers satisfying the requirements of our plants, we will determine the examination standards according to policies like "Operation Guidelines for Selecting and Recognizing New Providers" (《新供方選擇認可作業指引》) and "Rules of Determining and Changing Suppliers for Our Purchased Components" (《外購件供應商確定和變更規定》), with consideration emphasis on the scales of suppliers, their ability of techniques and research and development, ability of products testing, quality system, and abilities of inspecting and detecting the equipment condition, production and delivery and cost control.

The plants have set up complete standards to evaluate suppliers' performance. It evaluate the suppliers' performance during the past year annually by the qualified rates of their supplied goods in tests, rectification rates of quality service, after-sale complaints, the punctuality of delivery and the price trend of suppliers and so on, and only the suppliers classified as qualified can be promoted to "Qualified Suppliers". Qualified Suppliers shall be accredited by ISO/TS16949 or ISO9001; in terms of certain suppliers, the plants would request them to be accredited by the Environment Management System. For the suppliers chosen by the plants, we implement controls according to "Operation Guidelines for Unqualified Products Control" (《不合格品遏制作業指引》) in respect of the unqualified products or products not in compliance with specifications during the supply process, for which we take measures as labeling, separating and reporting to prevent unintended use and delivery of the unqualified products as well as respond efficiently to reduce the effect of unqualified products on the manufacturing and customers. Furthermore, we require the suppliers to submit reports for the quality issues, stating root cause analysis, quality analysis and proposing permanent rectification and preventive measures. In order to prevent the risks in supplying, the plants maintain additional inventories in case of emergency and require suppliers of key products to make logistic contingency plan. In respect of the goods source, the Group generally purchases from both suppliers and alternate suppliers that provide the same products to lessen the risks in supplying.

B6. Product Responsibility

Education Investment Business

The Group has been believing in "value investment", highly respecting and recognizing the industry sentiment of educational enterprisers and helping the growing enterprises of worth to develop sustainably. The Group keeps exploring the opportunity in educational field and invests in education projects with potential and plans to net a comprehensive strategic structure covering the whole educational industry chain within a short period of time, aiming to be the most excellent discoverer of long term value in educational field in the PRC and abroad and the resources integrator in educational industry chain.

The Group's schools in Shandong province strictly comply with Non-state Education Promotion Law (民辦教育促進法), Regulations on the Running of Educational Institutions with Social Resources of the PRC (中國社會力量辦學條例), and other local management methods of school supervision such as Management Method of Education Charge in Shandong Province (山東省教育收費管理辦法). In order to improve the teaching quality of primary, junior and senior middle schools and the quality of featured teaching in senior middle schools, the school has formulated safety rules to ensure the school has comprehensive safety management system and safety emergency mechanism and educates the students safety-related matters.

The school has set up an emergency-handling team to handle all emergencies in the school, including ordering certain teachers to required places, evacuating students and teachers, and reporting to superior authorities and adopting emergency measures subject to the nature of the incident. The safety manual specifies the coverage of the emergencies in detail, including students suicide, self-harm, self-abuse, students leaving from the school secretly or missing, fighting or gang fighting, students suffering traffic accidents or other significant accidents, school suffering flooding, fire, earthquakes, toxic gases or inclement weather. In the 2016 Financial Year, there was no material accident, medical accident or safety issue in the school.

To maintain the school's regular teaching and operation and to prevent the violence and security accidents effectively, the school has formulated its Security System (《保安制度》) and established the security regularly patrol system according to the relevant laws and regulations and security work regulations to provide the school, students and staffs with all-day security service and to protect the safety of property and people. Furthermore, the school has formulated School Medical Staffs Management System (《學校醫務人員管理制度》), which requires the medical staff to keep in mind the medical ethics of "love lives, help the injured, perform responsibilities duly", and to be responsible for checking and surpervising the health work of the school and taking measures promptly while discovering any problem, and to ensure the hygiene of the school, classrooms, offices, functional rooms, the students and the teachers reaching the standards, and also to manage and check the medicine inventories to prevent the medicine from expiring, rotting, being stolen or provisional storage.

The school strictly complies with the student enrolment plan prepared by the school board and makes advertisement under the objects and theme as determined by analyzing the market need and competitors' marketing features. The content of the advertisement is examined by the Principal for its accurateness to establish the school's integrity image. The school never propagandizes falsely to avoid any misleading to the parents or the students in any form.

The school collects complaints and suggestions from parents, students and the society through various channels, including providing suggestion box in the school to collect the students' opinions; offering suggestion e-box on the school's website and complaints and suggestions group on the school's official Wechat account to collect the parents' opinions and suggestions; holding the parent-teacher meeting regularly to communicate with parents about issues relating to teaching and school-life. The school will collect the opinions and suggestions and deal with the issues regularly and return to the parents. Specially-assigned persons also collect and relay the opinions to each teaching department and logistics, and follow up with the dealing approach with the opinions weekly and visit the parents or the students who gave their opinions.

The school strictly manages the information relating to the students and the parents and has it maintained by specially-assigned persons. All the information shall be submitted by the class tutor directly to the Information Management Office of the school, without any handling by the management of the grade and teaching department, which narrows the chance of information leaking. There is strict approval procedure for obtaining students' information and no one is permitted to copy all the information of the students and relevant information directly, which protects the confidentiality and privacy of the parents' and students' information.

Financial Service Business

The Group has a comprehensive international financial service platform providing integrated services such as investment and merger, stock exchange, assets management, financial credit, migration financial services and so on. We strictly comply with the Code of Conduct for Persons Licensed by or Registered with the SFC and various codes and guides under the SFO, including but not limited to laws and regulations on relevant services such as Code On Takeovers and Mergers. We enter into written agreements with each of the customers before providing services to them. The Chinese version and English version of account opening documents shall be available for customers' selection, and so as other documents, power of attorney, risks disclosure or relevant documents. All licensed staff shall understand all the terms and conditions of the account opening documents. Unless the customers are professional investors, the Company shall assess the customers' knowledge on derivatives when performing the Know-Your-Client programs and classify the customers accordingly. We will ensure expressly explain the conditions and terms, risks and unpredictability of the products before acquiring any financial products or trading, so that the customers will have a clear understanding and prejudgment of the risks of the products.

The Group collects the customers' complaints about the products of its financial service mainly by customer service hotline and e-mail. The responsible staff shall investigate and respond to any written or oral complaints from customers on the Company as soon as possible and shall keep all the customer complaint registers for no less than seven years.

The Group places great importance on customers' privacy and ensures that their rights are strictly secured pursuant to Personal Data (Privacy) Ordinance, the Code of Conduct for Corporate Finance Advisers and relevant local laws. The Group has taken various measures to strengthen the confidentiality and safety of personal data. For instance, only authorized staff have access to the collected personal data, customers' personal data shall be available to no one for personal purposes other than for performing their official responsibilities, and the encrypted user management system has set up various license rights of data access for users at each level and so on.

Automotive Parts Business

The Group placed great emphasis on product quality based on the quality direction with "Quality First, Customer Satisfaction, Prevention and Control, Ongoing Improvement" and complies with regulations that have a significant impact on the health and safety of the products.

In accordance with the requirements of China Automotive Materials Data System (CAMDS) and In-Mold Decoration (IMD), the Group implemented The Technical Policy for the Recovery and Utilization of Automobile Products (《汽車產品回收利用技術政策》) on the products, carried out management on the recovery rate and prohibited/restricted substances of automobile products to improve the recovery rate of the materials, and followed the management regulations of EU ROSH2.0 and Japan SS-00259 for environment and substances relating to the components and materials. The Group implemented the said regulations and obtained ISO9001 quality system certificate (ISO9001品質體系證書), QS900 and VDA6.1 quality system certificates (QS900和VDA6.1品質體系證書) and 16949 certificate (16949證書).

The Group implemented a full range of quality control in product safety and quality, executed a three-inspection system in the production process, i.e. "First Inspection, Routine Inspection, Final Inspection", and conducted relevant tests according to the technical requirements, such as strength tests involved in the welding process which involve safety requirements. We also developed Full-size Inspecting Plan for Shock Absorber (《減振器全尺寸檢驗計劃》) and Product Type Testing Plan (《產品型式試驗計劃》) based on the requirements and standards of tests over the characteristics of shock absorbers and requirements of customers over the product characteristics, and conducted quality control and carried out safety tests for different products according to these plans, including tests on fatigue durability, relativity between force-velocity curve and temperature, salt spray and prohibited substances for coating and etc., and issued test reports to ensure the reliability of components safety. In the 2016 Financial Year, the Group did not have records to recall the products sold due to safety and health reasons.

The Group provided services for customers through a dedicated mailbox and 24-hour telephone hotline service of the quality control department. The after-sale improvement supervisor collected customer's requirements over after-sale service through various channels according to the after-sale service control program (《售後服務控制程式》), sorted out and collated the quality feedbacks, organized relevant departments/workshops to analyze the reasons of quality problems, formulated improvement measures and communicates with users. The Group also conducted customer satisfaction surveys annually, tracked the quality improvement effects and enhanced the market competitiveness of the Group.

The Group strictly kept the contract information of the customers under relevant laws such as General Principles of the Civil Law (《民法通則》), the Contract Law (《合同法》), which was numbered and archived by the integrated archive office. The inspection of such information required by relevant employees of the Group is subject to signature and consent of the supervisor of the department in which the inspection person applies for an enquiry and then the archivist of the integrated archive will find out the information for inspection for the person at the specified time and place.

Up until now, the Group has 152 patents authorized by the State Intellectual Property Office of the PRC in automotive parts business, including seven for invention, eight for design, 137 for utility model and seven for trademarks. Patents and trademarks have been registered in the State Intellectual Property Office of the PRC and the Trademark Office of the PRC respectively. In order to protect intellectual property rights and prevent infringement, the Group has formulated rules and regulations of confidentiality in accordance with national laws and regulations and implemented the following specific measures:

- Departments related to trade secrets, such as the R&D center, archives and information rooms, have been confirmed as classified areas, which have been isolated from the general areas of the Group's production and offices, and stipulated that no unrelated personnel shall enter in order to minimize the number of personnel aware of the business secrets;

- The Group has formulated the rules and regulations of confidentiality in accordance with the provisions of national laws. Among the labor employment contract, intellectual property rights vesting agreement or technique confidential agreement, the Company negotiated with the relevant personnel related to the significant influence on the technique interests and economic interests of the Company and agreed that, the relevant personnel, within a certain period after his/her departure, shall not operate or hold a position in any similar business which competes or has interests with the Group; and

- The Group shall enter into confidential contracts or confidential clauses with the party during the process of foreign business activities and entering into commercial contracts when necessary.

B7. Anti-corruption

The Group strictly complies with the relevant laws and regulations of Hong Kong and the PRC, including the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. The Group attaches great importance to employees' honesty and trustworthiness, conscientiously implementing the national five-year plan for punishing and preventing corruption during 2013-2017, abiding by the relevant laws and regulations on business bribery and the rules and regulations formulated by the Company, and implementing the idea of "Self-discipline, Candidness and Dedication (自律坦蕩敬業)".

For education investment business, the Group has established sound internal control measures to prohibit the acceptance of any form of interests or benefits in violation of the principle of fair competition and developed a reporting policy. In particular, the Group established the ethics lecture hall, provided relevant system training for the students and employees of schools, set up a business bribery prevention report box and a report hotline and encouraged employees and units that had business dealings with schools to report bribery and etc.

For financial service business, the Group manages day-to-day regulated activities and provides integrity training courses for employees under the Anti-Money Laundering and Compliance Manual to enhance the awareness of anti-corruption. The Group is committed to upholding the highest ethical standards and assessing and monitoring all business relationships in accordance with the guidelines of the Hong Kong Independent Commission Against Corruption and other relevant authorities. In the course of the transactions, the Group properly asked the customers to know the customers' background and reviewed the customers' information to identify and prevent any form of bribery, extortion, fraud and money laundering by clients and employees, and reported suspicious transactions to the Joint Financial Intelligence Unit if necessary. The Group strictly maintains confidentiality of information and materials relating to reporting and investigation. For any breach of rules and regulations discovered, the Group will timely impede or deal with and report to the judiciary if necessary.

The Group strengthened employees' honesty and self-discipline of automotive parts business and created a good and orderly production and operation environment, established "Management Regulations on Administrative Penalties for the Defaulters" (《違紀員工行政懲處管理規定》), "Notice on Prohibition of Demanding and Accepting Bribes during Purchase, Research and Development, Quality, Storage and Production Construction Process, etc." (《關於嚴禁在採購、研發、品質、倉儲、生產工程建設等過程中索賄、受賄的通知》) and "Code of Conduct for Business Activities" (《經營活動業務往來行為規範》) and etc. The content of these documents includes the prohibition of demanding bribes from all suppliers or abusing their powers to pursue private gains during production and operation (for example, purchase, research and development, quality and production) process, posing damage to the interests of the plants, and the encouragement of employees to monitor and report the malpractices of demanding and accepting bribes. The Company attached great importance to the publicity and education of anti-corruption policy and organized activities regularly. In the 2016 Financial Year, we had organized six workshops about anti-corruption, advocated probity and conducted symposiums about honesty to more than 200 employees in six key departments. The plant also has an inspection team to receive reports on rule-breaking behaviors from internal and external through the "Five in One" (五位一體) supervision model consisting of reporting telephone, e-mail, reporting mailboxes, letters and visits, and investigates the problems and punishes relevant personnel who break the rules. After verification, the Group will take measures to impose severe penalties such as public penalty, post-waiting, labor relationship discharged and even criminal liabilities pursued.

In the 2016 Financial Year, the Group did not receive reports on corruption related to employees, and did not experience any litigation involving in corruption, bribery and fraud.

Community

B8. Investment in community activities

The Group believes that enterprises are an important part of the community. The survival and development of enterprises are closely related to the community. The enterprises and the community are regarded as a whole, community development is driven by enterprise development. For example, it can boost employment, increase tax revenue, thus providing economic and social security for the community. At the same time, the enterprise development is inevitably linked to the support and help of the community. During the 2016 Financial Year, the Group was honored with the "Hong Kong Outstanding Enterprises 2016" issued by the Economic Digest under the New Media Group, "Outstanding Listed Company Award 2016" issued by the Hong Kong Institute of Financial Analysts and Professional Commentators and the "2016 Influential Education Investment Enterprise" issued by sina.com.

The Group insisted on making donations and sponsorship to the society's education and cultural undertakings in a long term. In the 2016 Financial Year, the Group donated HK$3 million to "Hong Kong – Vienna Music Festival" organized by Vienna Boys Choir Music Academy Foundation and title sponsored of HK$300,000 to the Invitational Exhibition of Women Artists (女畫家邀請展) jointly organized by Bauhinia Magazine and Association of International Distinguished Women Artists (薈萃國際女畫家協會). The Group has continuously made contribution to poor mountainous schools and provided grants for poor students for their enrollment. The Group will insist on fulfilling its social responsibilities, passing love on and giving back to people.

CORPORATE GOVERNANCE REPORT

The Board is committed to promoting good corporate governance 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 practices serve its long-term interests and those of its Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the 2016 Financial Year and up to the date of this annual report so as to enhance the corporate governance standard of the Company.

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 practices of the Company to ensure its continuous compliance with the Corporate Governance Code, and make appropriate changes if considered necessary. During the 2016 Financial Year, the Board has performed the corporate governance duties set out in the Corporate Governance Code.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code during the 2016 Financial Year and up to the date of this annual report.

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 ensuring that the interest of Shareholders including those minority Shareholders are protected. Daily operations and administration of the Group are delegated to the executive Directors and the management.

Board of Directors

The Board currently comprises a combination of executive Directors, non-executive Director and INEDs. As of the date of this annual report, the composition of the Board and Board committees is as follows:

	Board Committees				
Directors	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**Risk Management Committee**
Executive Directors					
Mr. Wilson SEA *(Chairman)*			C	C	C
Mr. ZHAO Zhijun *(Chief Executive Officer)*		M		M	
Mr. TANG Mingyang				M	
Mr. YAN Haiting				M	M
Ms. LI Dan		M	M		
Non-Executive Director					
Mr. LI Hua	M				M
Independent Non-Executive Directors					
Mr. CHU Kin Wang, Peleus	C	M	M		M
Mr. LI Zhiqiang	M	M	M	M	
Mr. CHEN Gang	M	C	M	M	

Notes:

C – chairman M – member

Profiles of the Directors are set out in Profiles of Directors and Senior Management of this annual report and is updated on the website of the Company.

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

The Board members have no financial, business, family or other material/relevant relationship with each other.

The Group provides briefings and other trainings to develop and refresh the Directors' knowledge and skills. The Group, together with its legal counsel, continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the 2016 Financial Year, the Company invited its Hong Kong legal adviser to provide training to the Directors. The training session covered topics including the Corporate Governance Code, the disclosure of inside information and establishment of an internal control system. All the Directors received the training.

Board Meetings

The Board meets at least twice a year and additional meetings will be convened when deemed necessary by the Board.

The schedule of regular meetings for the whole year has been informed to each Director. 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 will be given. Notices and agenda of the Board meetings are prepared by the Company Secretary as delegated by the Chairman. All the Directors are given the opportunity to include any matters which they believe to be appropriate in the agenda of the Board meetings.

Agenda and relevant documents of 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's senior management for further information and enquiries. The Company Secretary and senior management 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 where conflicts of interest arise.

Directors have access to the advice and services of the Company Secretary and key officers of the Company in relation to the board procedures. Draft minutes of Board/Board committee meetings shall record in sufficient details of 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 meetings and meetings of Board committees are kept by the Company Secretary, which are open for inspection by any Directors at any reasonable time on reasonable notice.

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

As permitted under the Articles of Association, the Company has arranged Directors and officers liability insurance in respect of any legal actions which may be taken against Directors and management in execution and discharge of their duties or in relation thereto.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy Committee, the Risk Management Committee and the general meetings during the 2016 Financial Year are set out in the following table:

	Meetings attended/Meetings held						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Risk Management Committee	General Meeting
Executive Directors							
Mr. Wilson SEA *(Chairman)*	8/9	N/A	N/A	2/2	1/1	1/1	2/3
Mr. ZHAO Zhijun *(Chief Executive Officer)*	7/9	N/A	1/2	N/A	0/1	N/A	1/3
Mr. TANG Mingyang[3]	6/7	N/A	N/A	N/A	0/0[5]	N/A	1/3
Mr. YAN Haiting	9/9	N/A	N/A	N/A	1/1	1/1	3/3
Ms. LI Dan[4]	4/4	N/A	0/0[5]	0/0[5]	N/A	N/A	1/1
Mr. WANG Wenbo[1]	2/2	N/A	N/A	N/A	N/A	N/A	0/0
Ms. YANG Weixia[2]	4/5	N/A	N/A	N/A	N/A	N/A	2/2
Non-executive Director							
Mr. LI Hua[3]	7/7	1/1[5]	N/A	N/A	N/A	0/0[5]	3/3
Independent Non-executive Directors							
Mr. CHU Kin Wang, Peleus	9/9	3/3	2/2	2/2	N/A	1/1	3/3
Mr. LI Zhiqiang	8/9	3/3	0/0[5]	0/0[5]	1/1	N/A	1/3
Mr. CHEN Gang[4]	4/4	1/1	0/0	0/0	0/0	N/A	1/1
Mr. ZHANG Jinhua[2]	4/5	1/2	1/2	1/2	1/1	N/A	1/2

Notes:

1. until 31 March 2016
2. until 31 August 2016
3. with effect from 1 April 2016
4. with effect from 1 September 2016
5. with effect from 7 October 2016

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are segregated and not exercised by the same individual. The Chairman 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. The Chief Executive Officer is responsible for the general operation and management of the Group and the implementation of the approved strategies of the Group. The Board is headed by the Chairman, Mr. Wilson Sea. The Chief Executive Officer is Mr. Zhao Zhijun.

With the support of the Company Secretary and the senior management, the Chairman is committed to ensuring all the Directors are properly briefed on issues to be proposed at the Board meetings and be provided with adequate information in a timely manner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times meet 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 possessing appropriate professional qualifications, or accounting or related financial management expertise throughout the 2016 Financial Year.

The Company has received an annual written confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment.

MANAGEMENT FUNCTION

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

RESPONSIBILITIES OF DIRECTORS

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

A comprehensive compliance manual has been provided to each Director and will be updated from time to time. All Directors have been updated and briefed the changes in legal and regulatory matters to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations.

Each executive Director is responsible for the management of the different functions of the business of the Group. The non-executive Directors attend the Board meetings and give their opinions on the business strategy of the Company and review the financial and operation performance of the Group.

The INEDs serve the relevant function of bringing independent judgment on strategic direction, development, performance and risk management of the Group. The INEDs are a majority of members of the Audit Committee, the Remuneration Committee and the Nomination Committee.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is empowered under the Articles of Association to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Suitable candidates who are experienced and competent and able to fulfill 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 agreement will continue to be in effect thereafter until terminated by either party by giving to the other party not less than three months' prior notice in writing. Each of the non-executive Directors (including INEDs) was appointed for a specific term of three years. All 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 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 every AGM, one-third of the Directors, including the Chairman, shall be subject to retirement by rotation and re-election by the Shareholders. 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 Directors for the time being but shall not be taken into account in calculating the number of Directors who are to retire by rotation. All Directors who are eligible for re-election shall have their biographical details made available to the Shareholders to enable them to make an informed decision on their re-election. Any appointment, resignation, removal or re-designation of Directors shall be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

BOARD COMMITTEES

The Board has established five Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy Committee and the Risk Management Committee, to assist the Board for overseeing particular aspects of the Group's affairs. The terms of reference setting out the principles, procedures and arrangements of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee are available on the website of 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 has established the Audit Committee pursuant to Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference in compliance with the requirements of the Corporate Governance Code in order to review and supervise the Group's financial reporting process and internal control. The members of the Audit Committee are Mr. Li Hua, Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang. Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review, oversee and supervise the effectiveness of the Group's financial reporting process, internal control systems and risk management.

The Audit Committee will hold meetings at least twice a year.

During the 2016 Financial Year, three meetings of the Audit Committee were held. The Audit Committee has, amongst other things, reviewed the interim and annual results of the Company and the internal control matters of the Company. The Audit Committee has recommended to the Board on the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditors for the coming year and the related resolution shall be put forth in the coming AGM.

The Audit Committee has reviewed the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the Company's auditors.

The Audit Committee has reviewed with the management in conjunction with the auditors, the audited consolidated financial statements of the Group for the 2016 Financial Year and the accounting principles and practices adopted by the Group. The annual report for the 2016 Financial Year has been reviewed by the Audit Committee.

For the year ended 31 December 2016, the Group's external auditors, Deloitte Touche Tohmatsu, provided interim review services, annual audit services and other non-audit services. For the year ended 31 December 2016, the total fees paid/payable in respect of different services provided by the Group's external auditors are set out below:

	2016 **RMB**
Interim review services	640,000
Annual audit services	2,218,000
Non-audit services	1,068,000

The Audit Committee considers that the provision of non-audit services by the Company's external auditors, Deloitte Touche Tohmatsu, does not impair their judgement or independence for the audit.

Nomination Committee

The Nomination Committee was established on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and maintained on the websites of the Company and the Stock Exchange. The members of the Nomination Committee are Mr. Wilson Sea, Ms. Li Dan, Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang. Mr. Wilson Sea is the chairman of the Nomination Committee.

The Nomination Committee is responsible for formulating policies and making recommendations to the Board on nominations, appointment of Directors and Board succession. During the 2016 Financial Year, the Nomination Committee has, amongst other things, reviewed the selection procedures for candidates for directorship after considering different criterion including appropriate professional knowledge and industry experience. The Nomination Committee has also reviewed the size, structure and composition of the Board and assessed the independence of the INEDs. The Nomination Committee is provided with sufficient resources to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The Nomination Committee will hold a meeting at least once a year.

During the 2016 Financial Year, two meetings of the Nomination Committee were held. The Nomination Committee assessed the independence of Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang, Mr. Zhang Jinhua and Mr. Chen Gang, reviewed the members, structure and composition of the Board and discussed the sufficiency of time and efforts devoted to the performance of duties by the Directors. The Nomination Committee also recommended to the Board the directors who will retire, being eligible, offer themselves for re-election at the AGM and the candidates suitably qualified to become members of the Board.

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 considered that "Diversity" is a broad idea. When designing the combination of the Board members, the Company may consider the diversity of members in various aspects, including but not limited to sex, age, culture and education background, professional experience, skills, knowledge and terms of service. The Board appoints its members based on their talents and in accordance with the business mode and specific up-to-date needs of the Company. It also refers to the objective conditions and the benefits of the diversity of the Board members in selecting candidates. The final decision is made upon the advantages of the candidates and their possible contribution to the Board.

Remuneration Committee

The Remuneration Committee was established on 19 October 2011 with written terms of reference in compliance with the Corporate Governance Code and maintained on the websites of the Company and the Stock Exchange. The members of the Remuneration Committee are Mr. Zhao Zhijun, Ms. Li Dan, Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang. Mr. Chen Gang is the chairman of the Remuneration Committee.

The Remuneration Committee will hold a meeting at least once a year.

During the 2016 Financial Year, two meetings of the Remuneration Committee were held. The Remuneration Committee reviewed the structure of remuneration for executive Directors and assessed performance of executive Directors.

The Remuneration Committee is responsible for the determination, within agreed terms of reference, of specific remuneration packages for executive Directors and senior management, including salaries, retirement benefits, bonuses, long-term incentives, benefits in kind and any compensation payments. The Remuneration Committee is committed to bringing independent insight and scrutiny to the development and review process of the Group with regards to remuneration. No Director is allowed to take part in any discussion about his own remuneration.

Particulars of the Directors' remuneration are set out in note 14 to the consolidated financial statements of this annual report. The Directors' fee shall be subject to Shareholders' approval at general meetings. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

Strategy Committee

The Board established the Strategy Committee on 28 March 2013 with an aim to adopt to needs of the strategic development of the Company, enhance the core competitiveness of the Company, ensure the development plans of the Company, improve the investment decision form, strengthen the scientific decision-making, uplifting the efficiency in investment decisions and quality of decisions and optimize the management structure of the Company. The members of the Strategy Committee are Mr. Wilson Sea, Mr. Zhao Zhijun, Mr. Tang Mingyang, Mr. Yan Haiting, Mr. Li Zhiqiang and Mr. Chen Gang. Mr. Wilson Sea is the chairman of the Strategy Committee.

The Strategy Committee will hold a meeting at least once a year.

During the 2016 Financial Year, one meeting of the Strategy Committee was held. The Strategy Committee reviewed the overall strategy and development plan of the Company.

Risk Management Committee

The Board established the Risk Management Committee on 31 December 2015 with an aim to assisting the Board in (i) deciding the risk level and risk appetite of the Group; and (ii) considering the Company's risk management, internal control systems, environmental, social and governance strategies and giving directions where appropriate. The members of the Risk Management Committee are Mr. Wilson Sea, Mr. Yan Haiting, Mr. Li Hua and Mr. Chu Kin Wang, Peleus. Mr. Wilson Sea is the chairman of the Risk Management Committee.

The Risk Management Committee will hold a meeting at least once a year.

During the 2016 Financial Year, one meeting of the Risk Management Committee was held. The Risk Management Committee reviewed, among others, the policies, guidelines and effectiveness of the work on risk management, internal control systems and environmental, social and governance of the Company.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the Group's financial statements for the 2016 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 of the Company regarding their 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 in place the sound and effective internal controls to safeguard the Shareholders' investment and the assets of the Group. The Company has from time to time reviewed the effectiveness of the internal control systems in order to ensure that they meet with the dynamic and ever changing business environment. The Group will review the risk management and internal control systems at least once every year.

During the 2016 Financial Year, the Board has reviewed the effectiveness of the Group's internal control systems, including financial, operational and compliance controls and risk management functions, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget through the Audit Committee and the Risk Management Committee.

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee, the Risk Management Committee and senior management of the Company. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management of the Company identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

During the 2016 Financial Year and up to the date of this annual report, the Group has not set up an internal audit function but will actively consider setting up an internal audit function for the year ending 31 December 2017. In this respect, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies will be reported to the Audit Committee and the Board of Directors on a timely basis to ensure that prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee for review and finally to the Board for adoption at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

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.

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

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable 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 Group will ensure that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group 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 way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to Article 58 of the Articles of Association, Shareholder(s) 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)**") may, 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 Units 4501-02 & 12-13, 45/F., The Center, 99 Queen's Road Central, Hong Kong. The EGM shall be held within two months after the deposit of the Requisition. In the event that the Board fails to convene the EGM within 21 days after the deposit of the Requisition, the Requisitionist(s) 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 the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. 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 Units 4501-02 & 12-13, 45/F., The Center, 99 Queen's Road Central, Hong Kong for handling.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Board recognizes 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 the protection in the interests of the Shareholders. As a channel to further promote effective communication, the Company maintains a website, allowing the Shareholders to access updates on the Company's particulars where the Company's announcements, 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. The Chairman and all Directors would attend the general meetings to answer any 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 the Articles of Association, (i) the notice of AGM would be sent to all 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 Shareholders not less than 21 clear days and not less than ten clear business days before the meeting, and (iii) the notice of all other EGMs would be sent to all Shareholders not less than 14 clear days and not less than ten clear business days before the meeting.

Voting by poll

The Articles of Association have set out the rights of Shareholders and procedures demanding and conducting a poll on resolutions at general meeting. Shareholder's rights to demand a poll have been specified in corporate communications to Shareholders and details of such rights are explained at the general meeting of Shareholders by the chairman of the meeting. In order to comply with the Listing Rules, all the general meetings will be voted by way of poll. 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

There is no amendment on the Company's memorandum and articles of association during the 2016 Financial Year.

COMPLIANCE WITH THE MODEL CODE

Code for securities transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiries to the Directors and to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the year ended 31 December 2016.

The Company has also adopted the Model Code as the Code 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 and the holding companies who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities. The Company has made specific enquiry of the relevant employees regarding non-compliance with the Code for Securities Transactions by Relevant Employees during the 2016 Financial Year and they have confirmed their full compliance with the required standard set out in the said code for the 2016 Financial Year.

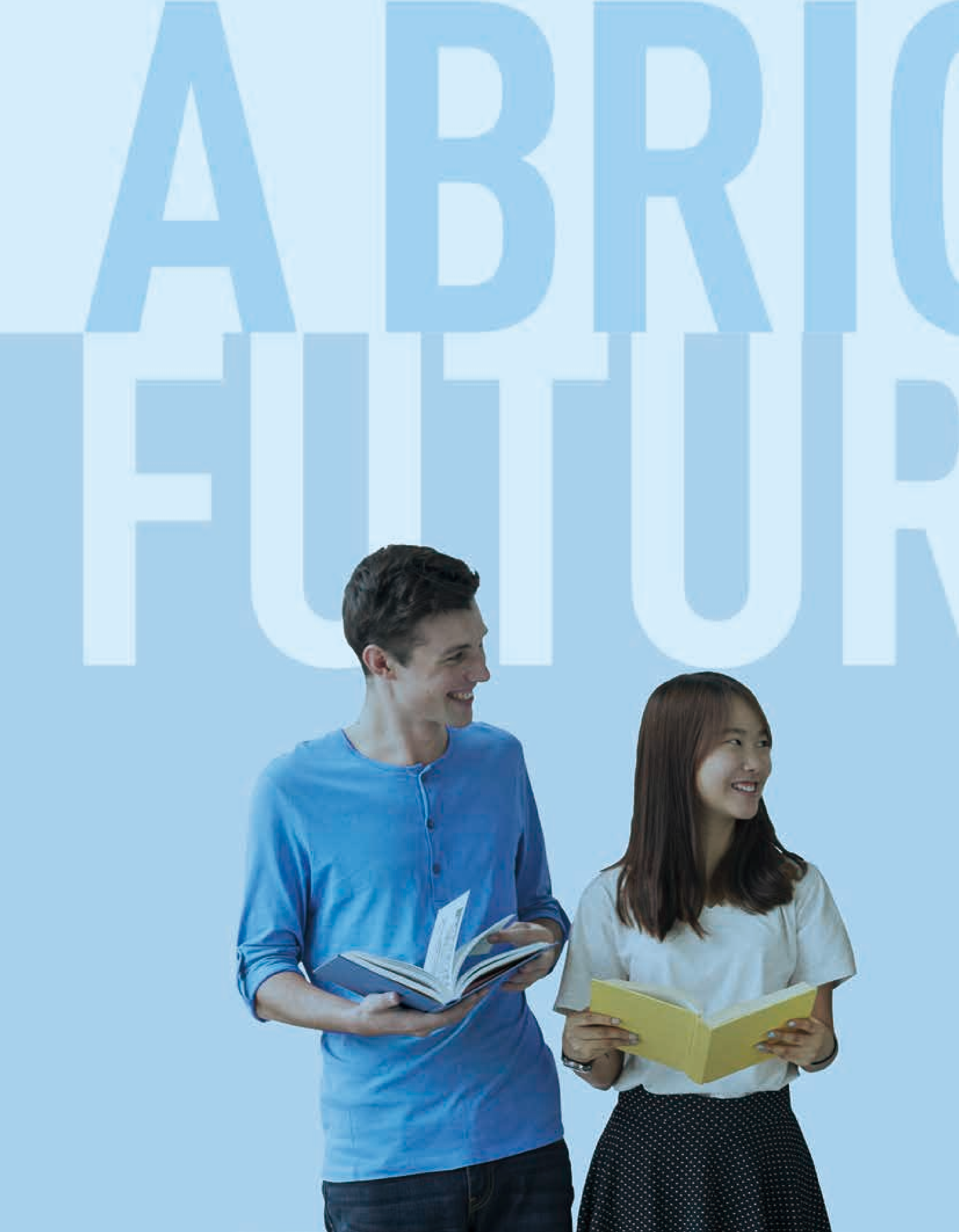
COMPANY SECRETARY

The Company has appointed Mr. Hung Man Yuk, Dicson as the Company Secretary, and Mr. Hung is responsible for all the secretarial service. Mr. Hung confirmed that for the 2016 Financial Year, he has taken no less than 15 hours of relevant professional training.

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 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.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FINANCIAL STATEMENTS

Deloitte. 德勤

To the Shareholders of China First Capital Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China First Capital Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 98 to 174, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("**the Code**") issued by HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Control over significant subsidiaries through contractual arrangements	
We identified the control over the Consolidated Affiliated Entities (as defined in note 2) through contractual arrangements as a key audit matter due to its education business controlled by the Group through structured contracts rather than direct legal ownership. The Group exercises control over the Consolidated Affiliated Entities and enjoys all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements (as disclosed in note 2 to the consolidated financial statements). Management's disclosures with regard to the judgement are contained in note 6 to the consolidated financial statements.	Our procedures in relation to the contractual arrangements included: • Reviewing contracts in relation to the contractual arrangements, and assessing whether the Group has controlling power over the Consolidated Affiliated Entities through the structured contracts and whether the Group is exposed, or has rights, to variable returns from its involvement with the Consolidated Affiliated Entities; • Obtaining legal opinion from the Company's legal counsel that 1) the structured contracts as a whole and each are legal, valid and binding on the parties thereon; 2) the Group's entitlements to the economic benefits under the contractual arrangement are not subject to any legal or regulatory approvals in the PRC and are in compliance with the relevant PRC laws and regulations and are legally enforceable; 3) there is no legal impediment to the implementation of the contractual arrangements; 4) there are no laws and regulations disallowing foreign investors from using any agreements or contractual arrangements to gain control of the Consolidated Affiliated Entities; and • Checking to supporting documents for supporting validating that the Group exercises the control power through appointed directors and senior management to the Consolidated Affiliated Entities and made significant decision making activities of the Consolidated Affiliated Entities.

Key audit matter	How our audit addressed the key audit matter
Warranty Provision	
As at 31 December 2016, the amount of accumulated warranty provision made by the Group is RMB21.4 million, which represents management's best estimation of the Group's liability under an average warranty period of two years granted on products, based on prior experience for defective products, from its business of manufacturing and selling of automobile shock absorbers. Given the high level of judgement required in determining the provision, this is considered as a key audit matter. Management's disclosures with regards to the uncertainties are contained in note 6 to the consolidated financial statements, whilst the disclosures in respect of Warranty Provision are set out in note 35.	Our procedures in relation to the warranty provision including: • Understanding and evaluating the management's controls over the warranty provision, in particular, the controls over relevant provision approval and journal entry posting; • Evaluating the methodology and reasonableness of key assumptions adopted by the management in estimating the warranty provision, the evaluation includes checking the original data input to the model, testing the integrity and arithmetic accuracy of the provision model through recalculation, reviewing the terms of the warranty and comparing assumptions to contract terms; and • Evaluating the reasonableness of warranty provision with reference to management's assessment of likelihood of claims from customers, historic claim records, and subsequent settlement.
Valuation of Loan and Interest Receivables	
We identified the valuation of loan and interest receivables as a key audit matter due to the age profile and judgement required in determining the impairment on doubtful receivables. As at 31 December 2016, the amount of the Group's loan and interest receivables is approximately RMB110.5 million as disclosed in note 28 to the consolidated financial statements. In determining the allowance for the loan and interest receivables, the management considers the aged analysis, historical collection trends, and the likelihood of collection from debtors after taking periodic follow-up actions, as stated in note 6 to the consolidated financial statements.	Our procedures in relation to the valuation of loan receivables including: • Discussing with the management and understanding the management's basis of estimation of allowance for loan and interest receivables; • Understanding the internal controls designed and implemented for the regular assessment of impairment on loan and interest receivables; • Understanding the management's loan provision policy on loan and interest receivables; • Assessing the reasonableness of the management's loan and interest receivable provision policy; • Obtaining from the management their loans-to-provision assessment; • Reviewing and evaluating the management's loan-to-provision assessment to actual receivables written off; and • Testing the collection of loan and interest receivables subsequent to the year-end, on a sample basis, to source documents.

Key audit matter	How our audit addressed the key audit matter
Goodwill Impairment Assessment	
We identified the valuation of goodwill arising from business acquisition in current year as a key audit matter due to subjective valuation parameters used and judgement exercised by the Group for the impairment assessment. The goodwill arising from three acquisitions completed during the year ended 31 December 2016 amounted to RMB485,296,000 (in which RMB292,240,000 is on provisional basis), as disclosed in Note 24 to the consolidated financial statements. As detailed in notes 6 and 24 to the consolidated financial statements, the management conducted the impairment assessment of the goodwill based on value in use calculation. The calculation requires the Group to estimate the future cash flows expected to arise from each cash-generating unit (the "**CGU**") and a suitable discount rate in order to calculate the value in use. The Group determined that there was no impairment loss on goodwill for the year ended 31 December 2016.	Our procedures in relation to assessing the appropriateness of the impairment testing of goodwill included: • Understanding the Group's impairment testing process, including the valuation model adopted, CGUs allocation, assumptions used and the involvement of independent valuer appointed by the Group; • Evaluating the appropriateness of the model used to calculate the recoverable amounts; • Evaluating the reasonableness of the budgeted cash flow forecasts prepared by the management; • Evaluating key assumptions, such as expected cash flow streams, discount rate and growth rate, underlying in the cash flow forecast of each CGU by comparing them to historical results and relevant industry forecasts; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung Kwong Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	*8*	**1,474,059**	1,087,737
Cost of sales/services		**(1,090,991)**	(862,401)
Gross profit		**383,068**	225,336
Share of results in joint ventures	*20*	**(4,516)**	–
Other income, other gains and losses	*9*	**10,909**	(11,340)
Fair value change of held for trading investments	*10*	**357,297**	–
Selling and distribution expenses		**(97,327)**	(82,575)
Research and development expenditure		**(43,399)**	(36,571)
Administrative expenses		**(286,945)**	(83,209)
Finance costs	*11*	**(43,371)**	(35,961)
Profit (loss) before tax	*12*	**275,716**	(24,320)
Taxation	*13*	**(87,440)**	(3,390)
Profit (loss) for the year		**188,276**	(27,710)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		**5,365**	1,198
Total comprehensive income (expense) for the year		**193,641**	(26,512)
Profit (loss) for the year attributable to:			
Owners of the Company		**178,664**	(22,631)
Non-controlling interests		**9,612**	(5,079)
		188,276	(27,710)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**184,850**	(21,433)
Non-controlling interests		**8,791**	(5,079)
		193,641	(26,512)
Earnings (loss) per share			
– Basic (RMB)	*16*	**0.27**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**816,654**	468,326
Prepaid lease payments	*18*	**171,333**	134,154
Interest in an associate	*19*	**2,500**	2,500
Interests in joint ventures	*20*	**598,513**	–
Intangible assets	*21*	**81,273**	419
Available for sale investment	*22*	**70,265**	69,536
Deposits for investments	*23*	**161,570**	–
Goodwill	*24*	**485,296**	29,655
Deferred tax assets	*25*	**13,036**	3,406
		2,400,440	707,996
CURRENT ASSETS			
Inventories	*26*	**211,908**	101,998
Trade and other receivables	*27*	**1,031,193**	505,227
Loan and interest receivables	*28*	**110,490**	43,234
Prepaid lease payments	*18*	**3,669**	3,007
Held for trading investments	*29*	**1,508,324**	–
Restricted bank balances	*30*	**675,464**	113,180
Bank balances and cash	*30*	**1,324,651**	402,929
		4,865,699	1,169,575
TOTAL ASSETS		**7,266,139**	1,877,571
CURRENT LIABILITIES			
Amount due to an associate		**2,197**	3,832
Trade and other payables	*31*	**1,950,698**	561,670
Amount due to a joint venture	*32*	**198,270**	–
Advance from customers		**2,894**	2,851
Borrowings – due within one year	*33*	**1,100,336**	436,508
Income tax payable		**48,214**	23,472
Deferred income	*34*	**69,561**	806
Provisions	*35*	**21,395**	17,120
		3,393,565	1,046,259
NET CURRENT ASSETS		**1,472,134**	123,316
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,872,574**	831,312

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*33*	**413,624**	62,416
Other payables	*31*	**410**	544
Deferred income	*34*	**295,825**	14,316
Long term payables	*36*	**24,860**	–
Deferred tax liabilities	*25*	**101,916**	–
		836,635	77,276
TOTAL LIABILITIES		**4,230,200**	1,123,535
OWNERS' EQUITY			
Share capital	*37*	**74,941**	45,311
Reserves		**2,747,124**	583,384
Equity attributable to:			
Owners of the Company		**2,822,065**	628,695
Non-controlling interests		**213,874**	125,341
		3,035,939	754,036
TOTAL LIABILITIES AND OWNERS' EQUITY		**7,266,139**	1,877,571

The consolidated financial statements on pages 98 to 174 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Mr. Wilson SEA
DIRECTOR

Mr. YAN Haiting
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Reserves							
	Paid in capital RMB'000	**Share Premium** RMB'000	**Capital Reserve** RMB'000 *(Note a)*	**Surplus Reserve** RMB'000 *(Note b)*	**Translation Reserve** RMB'000	**Retained earnings** RMB'000	**Sub-Total** RMB'000	**Non-controlling Interests** RMB'000	**Total** RMB'000
At 1 January 2015	31,318	186,462	42,917	26,293	(516)	102,900	358,056	–	389,374
Loss for the year	–	–	–	–	–	(22,631)	(22,631)	(5,079)	(27,710)
Exchange difference arising on translation	–	–	–	–	1,198	–	1,198	–	1,198
Total comprehensive expenses for the year	–	–	–	–	1,198	(22,631)	(21,433)	(5,079)	(26,512)
Issue of new shares	13,993	263,012	–	–	–	–	263,012	–	277,005
Non-controlling interests arising on									
– acquisition of subsidiaries	–	–	–	–	–	–	–	4,124	4,124
– deemed partial disposal of a subsidiary	–	–	–	–	–	(16,251)	(16,251)	126,296	110,045
At 31 December 2015 and 1 January 2016	45,311	449,474	42,917	26,293	682	64,018	583,384	125,341	754,036
Profit for the year	–	–	–	–	–	178,664	178,664	9,612	188,276
Exchange difference arising in translation	–	–	–	–	6,186	–	6,186	(821)	5,365
Total comprehensive income for the year	–	–	–	–	6,186	178,664	184,850	8,791	193,641
Issue of new shares	29,630	1,976,929	–	–	–	–	1,976,929	–	2,006,559
Received capital injection from non-controlling shareholder of subsidiaries	–	–	–	–	–	–	–	10,050	10,050
Dividends *(Note c)*	–	–	–	–	–	–	–	(30,000)	(30,000)
Acquisition of businesses	–	–	–	1,961	–	–	1,961	99,692	101,653
Provision of surplus reserve	–	–	–	5,986	–	(5,986)	–	–	–
At 31 December 2016	74,941	2,426,403	42,917	34,240	6,868	236,696	2,747,124	213,874	3,035,939

Notes:

a. The balance as at 1 January 2015 mainly arising 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 (the "**Stock Exchange**").

b. The balance comprising 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**") and by the board of directors of the PRC subsidiaries in accordance with the Article 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. During the year ended 31 December 2016, a PRC established non-wholly owned subsidiary declared cash dividends of RMB100,000,000 to its immediate shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**275,716**	(24,320)
Adjustments for:		
Amortisation of intangible assets	**8,734**	–
Depreciation of property, plant and equipment	**29,965**	26,629
Loss on disposal of property, plant and equipment	**–**	7,134
Fair value change of held for trading investments	**(357,297)**	–
Interest income	**(10,142)**	(1,881)
Interest expense	**43,371**	35,961
Investment income	**–**	(7,093)
Provision (reversal of provision) for obsolete and slow-moving inventories	**16,692**	(4,404)
Share of result in joint ventures	**4,516**	–
Written off of inventories	**4,815**	–
Impairment loss recognised in respect of trade receivables	**5,963**	3,392
Release of government grant	**(1,089)**	(968)
Gain on disposal of available for sale investment	**(22,807)**	–
Release of prepaid lease payments	**3,377**	2,814
Unrealised exchange gain	**–**	(2,147)
Written off of backlog contracts	**–**	6,873
Operating cash flows before movements in working capital	**1,814**	41,990
Increase in loan receivables	**–**	(39,934)
(Increase) decrease in inventories	**(127,878)**	20,265
Increase in trade and other receivables	**(111,254)**	(137,342)
Increase in trade and other payables	**217,801**	140,105
Increase in advance from customers	**42**	476
Increase in provision	**4,275**	5,500
Increase in deferred income	**20,824**	490
Increase in held for trading securities	**(801,242)**	–
Cash (used in) generated from operations	**(795,618)**	31,550
Income tax paid	**(6,185)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(801,803)**	31,550

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES		
Additions of property, plant and equipment	**(71,366)**	(67,930)
Purchase of intangible assets	**(4,265)**	(419)
Investment in joint ventures	**(603,030)**	–
Advance of loan receivables	**(102,368)**	–
Repayment of loan receivables	**185,791**	–
Grants received in relation to acquisition of property, plant and equipment	**14,000**	6,000
Net cash inflow (outflow) for acquisition of subsidiaries *(Note 38)*	**93,783**	(4,081)
Interest received	**2,020**	1,881
Dividend received	**–**	7,093
Proceeds from disposal of property, plant and equipment	**923**	4,565
Purchase of prepaid lease payments	**(33,205)**	–
Purchase of bank portfolio investment	**(130,000)**	–
Proceeds from disposal of available for sales investment	**86,762**	–
Deposit for an investment	**(13,300)**	–
Increased in available for sale investment	**(70,265)**	–
Placement of restricted bank deposits	**(92,180)**	(113,180)
Release of restricted bank deposits	**113,180**	84,290
NET CASH USED IN INVESTING ACTIVITIES	**(623,520)**	(81,781)
FINANCING ACTIVITIES		
Advance to an associate	**(1,635)**	(2,837)
Capital injection from non-controlling shareholder of subsidiaries	**10,050**	–
Interest paid	**(43,371)**	(35,908)
Dividend paid to non-controlling shareholder of a subsidiary	**(30,000)**	–
New borrowings raised	**1,012,056**	351,092
Proceeds from issue of new shares	**1,575,265**	277,005
Borrowing from a joint venture	**499,990**	–
Contribution from a non-controlling shareholder	**–**	110,045
Repayment of borrowings	**(675,310)**	(333,000)
NET CASH FROM FINANCING ACTIVITIES	**2,347,045**	366,397
NET INCREASE IN CASH AND CASH EQUIVALENTS	**921,722**	316,166
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**402,929**	86,763
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,324,651**	402,929
Cash and cash equivalents represented by		
Bank balances and cash	**1,324,651**	402,929

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 April 2011. The shares of the Company has been listed on Main Board of the Stock Exchange with effect from 23 November 2011. Up to the date of issuance of these 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 subsidiaries are set out in note 44.

The consolidated financial statements are presented in Renminbi ("**RMB**"). During the year, the Company diversified its business into financial securities business in Hong Kong for the business segment of financial and advisory division. In view of expanding operating activities in Hong Kong undertaken by its subsidiaries and its sources of income are primarily its subsidiaries in Hong Kong, the Company changed its functional currency from Renminbi ("**RMB**") to Hong Kong dollars ("**HK$**"). As a result of the change in functional currency, the Company translated all items into HK$ using the prevailing exchange rate at the date of change and the resulting translated amounts for non-monetary items are treated as their historical cost.

2. CONTRACTUAL ARRANGEMENTS

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

– exercise effective financial and operational control over the Consolidated Affiliated Entities;

– exercise equity holders' voting rights of the Consolidated Affiliated Entities;

– 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 WFOEs;

– 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. WFOEs 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 WFOEs; and

– obtain pledge over the entire equity interest of School Holders from their equity holders as collateral security for all of School Holders payments due to WFOEs and to secure performance of School Holders and their respective subsidiaries obligations under the Contractual Arrangements.

Details of the Contractual Arrangement in relation to acquisition conducted by Xishan Education are set out in the section headed "The Structured Contracts arrangements" of the Company's announcement dated 22 November 2016.

Pursuant to the above Contractual Arrangement entered between the Group and the School Holders, these Contractual Arrangement effectively transfer the controls over economic benefits and pass the risks associated with the Consolidated Affiliated Entities to the Group. In substance, the Group has effectively acquired the equity interests in the Consolidated Affiliated Entities to the effective of the Contractual Arrangement. Accordingly, The Consolidated Affiliated Entities became subsidiaries of the Group subsequent to the acquisitions above.

* the English name is the translation of respective Chinese name and is for identification purpose only.

\# 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 江西西山學校 and Xishan Education Group 西山教育集團 (collectively as "Xishan Schools"), and Jinan Shijiyinghua Experiment School 濟南世紀英華實驗學校.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and the Hong Kong Companies Ordinance ("**CO**").

4. APPLICATION OF NEW AND AMENDMENTS OF HONG KONG ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has adopted for the first time in this year the amendments to the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which are mandatorily effective for the accounting period beginning on 1 January 2016.

Except as described below, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendment reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regard to the structure of the financial statements, the amendments provide example of systematic ordering or grouping of the notes.

The Group has applied the amendments retrospectively. Certain notes to the consolidated financial statements have been sort out in order to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. The above mentioned reordering of certain notes has not resulted any impact on the financial performance and financial position of the Group in the consolidated financial statements.

The Group has not applied the following new and amendments to HKFRSs and Hong Kong Accounting Standards that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Lease[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except as described below, the directors of the Company consider that the application of the other new standards and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

4. APPLICATION OF NEW AND AMENDMENTS OF HONG KONG ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 are as described below:

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at "fair value through other comprehensive income", ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("**FVTPL**"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 "Financial Instruments: Recognition and Measurement", the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Upon application of HKFRS 9 in the future, the expected credit loss model in relation to the Group's financial assets measured at amortised costs will result in early recognition of credit losses, which are not yet incurred in relation to the Group's financial assets measured at amortised cost based on the analysis of the Group's financial instruments as at 31 December 2016. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

4. APPLICATION OF NEW AND AMENDMENTS OF HONG KONG ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent consideration, as well as licensing application guidance.

Base on the preliminary analysis, the management of the Group considers that the initial adoption of HKFRS 15 will not have significant impacts on the Group's results and financial position.

HKFRS 16 Leases

HKFRS 16 specifies how an HKFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with HKFRS 16's approach to lessor accounting substantially unchanged from HKAS 17 "Leases".

HKFRS 16, which upon the effective date will supersede HKAS 17, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

4. APPLICATION OF NEW AND AMENDMENTS OF HONG KONG ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

HKFRS 16 Leases (Cont'd)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitments of the Group in respect of leased premises as at 31 December 2016 are set out in note 39. The management of the Group expects that the adoption of HKFRS 16 is unlikely to result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in these consolidated financial statements as right-of-use assets and lease liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for held for trading investment that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

Basis of preparation

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-Controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is based on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from 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, with the corresponding adjustments made against goodwill. 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 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 recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which present the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interest in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and Joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and Joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interest in associates and joint ventures (Cont'd)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income from provision of finance and advisory services is recognised when services are provided.

The service income from provision of schooling services mainly includes tuition fees and boarding fees, Tuition and boarding fees received are generally paid in advance prior to at the beginning of each school year or semester, and are initially recorded as deferred income. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded deferred income and is reflected as a current or non-current liability, based on the Group's expected amounts of revenue to be earned.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flow receipts through the expected life of the financial asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are recognised as expenses in the periods in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 service entitling them to the contributions.

Short-term and other long-term employee benefits

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.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes are carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Prepaid lease payments

Prepaid lease payments representing land use rights in the PRC are stated at cost and amortised on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (if any) on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the director's best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities of fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available for sale ("**AFS**") financial assets, loans and receivables, and FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available for sale financial assets

AFS financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan and interest receivables, restricted bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included in the 'other income and expenses, other gains and losses' line item.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade and other receivables and loan receivables, assets that are assessed not be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including amount due to an associate, trade and other payables and borrowings) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Contractual arrangement

The Group conducts a portion of the business through the Consolidated Affiliate Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliate Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the 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. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of the Consolidated Affiliated Entities in the consolidated financial statements during the year.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among the WFOEs, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(b) *Estimated impairment on goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill 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. Where the actual future cash flows are less than expected, further impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill was RMB485,296,000 (31 December 2015: RMB29,655,000) and no impairment loss was recognised for the years ended 31 December 2015 and 2016. Details of the impairment testing on goodwill are disclosed in note 24.

(c) *Estimated impairment of trade and other receivables, and loan and interest receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade and other receivables and loan and interest receivables is set out in note 27 and note 28, respectively. Details of additional or reversal of impairment on trade debts or other debts are set out in note 9 and note 27.

(d) *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 profit or loss for the period in which such a claim takes place. The carrying amount of provision for warranty is set out in note 35.

(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. 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. Details of the movement of property, plant and equipment and the estimated useful lives are set out in note 17.

(f) *Estimated impairment of property, plant and equipment*

The Group reviews the carrying values of its property, plant and equipment to determine whether there is any indication that those assets are impaired. If it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of CGU to which the property, plant and equipment belong. As at 31 December 2016, the carrying amount of property, plant and equipment is set out in note 17.

No impairment loss on property, plant and equipment were recognised during the year ended 31 December 2016.

(g) *Estimated impairment of inventories*

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price 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 value 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. The carrying amount of inventories is set out in Note 26. During the year ended 31 December 2016, impairment loss of RMB16,692,000 for obsolete and slow-moving inventories was provided (2015: reversal of RMB4,404,000 impairment loss).

7. 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 stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include borrowings), cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, capital and surplus reserves, and retained earnings.

The directors of the Company review the capital structure on a periodical basis. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or redemption of existing debt.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of automobile shock absorbers, provision of financial and advisory services and provision of schooling services. An analysis of the Group's revenue is as follows:

	2016 **RMB'000**	2015 RMB'000
Sales of automobile shock absorbers	**1,379,236**	1,082,008
Provision of financial and advisory services	**58,270**	5,729
Provision of schooling services	**36,553**	N/A
	1,474,059	1,087,737

a) Products and services within each operating segment

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

In 2016, an additional segment was identified following the completion of acquisition of new businesses (note 38), the identified operating segment is focusing on the revenue and gross profits attributable to respective segment.

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

- Automobile shock absorbers Division – manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers and the secondary market of the automobile industry.

- Financial and advisory services Division – engage in the business of provision of financial investment advisory services, advisory services and immigration consultancy.

- Schooling services Division – engage in the business of provision of schooling services, including services from kindergarten education to vocational education.

8. REVENUE AND SEGMENT INFORMATION (Cont'd)

(b) Segment revenue and segment results

	Segment revenue		Segment results	
	2016 **RMB'000**	2015 RMB'000	**2016** **RMB'000**	2015 RMB'000
Automobile shock absorbers Division	**1,379,236**	1,082,008	**316,782**	219,607
Financial and advisory services Division	**58,270**	5,729	**57,892**	5,729
Schooling services Division	**36,553**	N/A	**8,394**	N/A
Total segment and consolidated	**1,474,059**	1,087,737	**383,068**	225,336
Fair value change of held for trading investments			**357,297**	–
Shares of results in joint ventures			**(4,516)**	–
Other income, other gains and losses			**10,909**	(11,340)
Selling and distribution expenses			**(97,327)**	(82,575)
Research and development expenditure			**(43,399)**	(36,571)
Administrative expenses			**(286,945)**	(83,209)
Finance costs			**(43,371)**	(35,961)
Profit (loss) before tax			**275,716**	(24,320)

Revenue reported above represents revenue generated from sales of goods/provision of services to external customers. There was no inter-segment sales during the years ended 31 December 2016 and 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies disclosed in note 5. Segment results represent the gross profit of each operating segment, conforming to the same measurement reported to the CODM for the purposes of resources allocation and performance assessment.

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

(c) Geographical information

The Group principally operates in the PRC. No material non-current assets of the Group are located outside the PRC.

Over 95% of the Group's revenue from external customers is derived from the PRC.

8. REVENUE AND SEGMENT INFORMATION (Cont'd)

(d) Information about major customers

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

	2016 RMB'000	2015 RMB'000
Automobile shock absorbers Division:		
– Customer A	**393,046**	244,288
– Customer B	**163,600**	N/A*
– Customer C	**N/A***	154,337

* The corresponding revenue did not contribute over 10% of the total sales of the Group for the respective year.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Other income	**13,332**	10,764
Other gains and losses	**(2,423)**	(22,104)
Total	**10,909**	(11,340)

(a) Other income

	2016 RMB'000	2015 RMB'000
Interest income	**10,142**	1,881
Storage services income	**3,190**	1,790
Dividends from investment in unlisted limited partnership	**–**	7,093
	13,332	10,764

9. OTHER INCOME, OTHER GAINS AND LOSSES (Cont'd)

(b) Other gains and losses

	2016 **RMB'000**	2015 RMB'000
Allowance for doubtful trade debts, net *(Note 27)*	**(5,963)**	(3,392)
Donation	**(370)**	(188)
Exchange (loss) gain, net	**(4,203)**	4,659
Gain from disposal of available for sale investment *(Note a)*	**22,807**	–
Government grants *(Note b)*	**4,196**	5,860
Release of asset-related government grants *(Note 34)*	**1,089**	968
Impairment loss on inventories *(Note c)*	**(16,692)**	–
Written off of inventories	**(4,815)**	–
Gain (loss) from sales of scrap and aged products	**3,549**	(5,321)
Penalties	**(309)**	(6,009)
Loss on disposal of property, plant and equipment	**–**	(7,134)
Realised loss on securities trading	**(2,403)**	(2,426)
Written off of backlog contracts	**–**	(6,873)
Loss on disposal of a joint venture	**(926)**	–
Others	**1,617**	(2,248)
	(2,423)	(22,104)

Notes:

a. The investment was acquired through acquisition of Brilliant Rich Holdings Limited ("**Brilliant Rich**") with an investment costs of RMB100,000,000, representing interests in an assets management portfolio with quoted price provided by respective bank. During the year ended 31 December 2016, the assets management portfolio was due in the year and RMB86,762,000 was refunded to the Group. The remaining assets of the assets management portfolio representing the listed shares of GIMC (SZA.002400) was reclassified as held-for-trading investments as at 31 December 2016.

b. The grants represent incentives received by a PRC subsidiary for the eminent contribution in technology development and encouragement of business development, etc. These grants are accounted for as immediate financial support with no future related costs nor related to any assets.

c. During the year ended 31 December 2016, impairment loss on inventories were provided for on the obsolete and aged products, resulting from the changes on the type of products required from the customers.

10. FAIR VALUE CHANGE OF HELD FOR TRADING INVESTMENTS

The details of fair value change of held for trading investments are as following:

	2016 RMB'000	2015 RMB'000
Equity securities:		
– Listed in HK	**201,125**	–
– Listed in the PRC	**156,172**	–
	357,297	–

The investment information of held for trading as at 31 December 2016 are as following:

	Main Business	**Number of Shares**	**Fair Value Changes RMB'000**
VIRSCEND EDU (HK.1565)	Education	125,446,000	190,731
ARTGO HOLDINGS (HK.3313)	Trading	126,096,000	10,394
GUANGAN AAA (SHA.600979)	Energy	70,000,000	42,157
JINLU GROUP (SZA.000510)	Manufacturing	30,459,000	114,015
		352,001,000	357,297

11. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on:		
Bank borrowings	**32,036**	29,818
Other borrowings	**11,191**	6,090
Long-term payable, at effective interest rate	**104**	–
	43,331	35,908
Accretion on other payables *(Note 31)*	**40**	53
	43,371	35,961

12. PROFIT (LOSS) BEFORE TAX

Profit before tax has been arrived at after charging:

	2016 RMB'000	2015 RMB'000
Employee benefits expenses (including directors):		
– salaries and other benefits	**198,433**	102,813
– retirement benefit scheme contributions	**15,050**	10,037
Total staff costs	**213,483**	112,850
Auditor's remuneration	**2,858**	1,659
Amortisation of intangible assets (included in cost of services)	**8,734**	–
Cost of inventories recognised as expenses (included in cost of sales and research and development expenditure)	**1,085,173**	880,478
Depreciation of property, plant and equipment	**29,965**	26,629
Release of prepaid lease payments	**3,377**	2,814

13. TAXATION

	2016 RMB'000	2015 RMB'000
Tax expense comprises:		
Current tax expense	**25,717**	3,238
Deferred tax expense *(Note 25)*	**61,723**	152
	87,440	3,390

The current income tax expense for the years ended 31 December 2016 and 2015 represents the PRC enterprise income tax and Hong Kong Profits Tax.

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2016.

The Company and other companies within the Group incorporated in Cayman Island and the British Virgin Island ("**BVI**") are not subject to any income tax.

Way Assauto Srl and Cijan Way Assauto Co., Ltd. ("**Cijan Way Assauto**") were incorporated in Italy, CFCG Investment Partners International (Singapore) Pte. Ltd. was incorporated in Singapore, CFCG Investment Partners International (Australia) Pty Ltd was incorporated in Australia, CFCG Investment Partners International (UK) Ltd. was incorporated in the United Kingdom ("**UK**") which all had no assessable profit subject to any profits tax since its incorporation.

13. TAXATION (Cont'd)

On 15 December 2009, a major subsidiary, Nanyang Cijan Automobile Absorber Company Limited ("**Nanyang Cijan**") obtained "High and New Technology Enterprise" status ("**Status**") for 3 years that entitles Nanyang Cijan a preferential tax rate of 15% for the period from 2011 to 2014 according to the PRC tax law. The Status has been renewed in 2015 for another 3 years.

Other PRC established group entities did not have any taxable profit for the years ended 31 December 2016 and 2015.

The tax charge for the years ended 31 December 2015 and 2016 can be reconciled to the (loss)/profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **RMB'000**	2015 RMB'000
Profit (loss) before tax	**275,716**	(24,320)
Tax at 25%	**68,929**	(6,080)
Tax effect of tax losses not recognised	**35,278**	3,391
Tax effect of expenses not deductible for tax purpose	**4,938**	16,563
Tax effect of income not taxable for tax purpose	**(2,101)**	(3,639)
Tax effect of additional qualified expenses deductible for tax purpose *(Note)*	**(5,425)**	(4,526)
Effect of tax concessions granted to a PRC subsidiary	**(5,575)**	(2,159)
Utilisation of tax losses previously not recognised	**(50)**	(160)
Tax effect of different tax rate in other jurisdiction	**(23,320)**	–
Tax effect of withholding tax provision on undistributed profits of a PRC subsidiary	**7,706**	–
Withholding tax paid on dividends declared and paid	**7,060**	–
	87,440	3,390

Note: The amount represents additional 50% income tax deduction in respect of qualifying research and development expenditures incurred for the year.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(a) Directors' and chief executive's 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:

Year ended 31 December 2016

	Fees RMB'000	Discretionary bonus* RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Mr. ZHAO Zhijun	174	820	532	14	1,540
Mr. WANG Wenbo (until 1 April 2016)	42	351	180	5	578
Ms. YANG Weixia (until 1 September 2016)	130	486	180	11	807
Mr. TANG Mingyang (with effect from 1 April 2016)	129	4,074	1,929	–	6,132
Ms. LI Dan (with effect from 1 September 2016)	57	3,704	411	–	4,172
Mr. Wilson SEA	171	4,286	2,572	–	7,029
Mr. YAN Haiting	171	1,851	1,234	258	3,514
Independent non-executive Directors					
Mr. ZHANG Jinhua (until 1 September 2016)	103	–	–	–	103
Mr. LI Zhiqiang	154	–	–	–	154
Mr. CHU Kin Wang, Peleus	154	–	–	–	154
Mr. LI Hua (with effect from 1 April 2016)	96	–	–	–	96
Mr. CHEN Gang (with effect from 1 September 2016)	51	–	–	–	51
	1,432	15,572	7,038	288	24,330

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

Year ended 31 December 2015

	Fees RMB'000	Discretionary bonus* RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Mr. ZHAO Zhijun	159	620	404	–	1,183
Mr. WANG Wenbo	159	298	180	–	637
Ms. YANG Weixia	159	366	180	–	705
Mr. Wilson SEA (re-designated on 1 January 2015)	1,005	2,530	–	–	3,535
Mr. YAN Haiting (re-designated on 1 January 2015)	582	1,287	200	–	2,069
Mr. WANG Ping (until 31 December 2015)	167	419	1,005	15	1,606
Independent non-executive Directors					
Mr. ZHANG Jinhua	151	–	–	–	151
Mr. LI Zhiqiang	151	–	–	–	151
Mr. CHU Kin Wang, Peleus	151	–	–	–	151
Ms. SHI Hongmei (until 24 July 2015)	75	–	–	–	75
	2,759	5,520	1,969	15	10,263

Mr. Zhao Zhijun is also the Chief Executive of the Company, and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The emoluments of executive directors and independent non-executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group and for serving as directors of the Company, respectively.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (Cont'd)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2016 included 4 (2015: 3) directors. The remunerations of the remaining highest paid individuals other than the directors are as follows:

	2016 RMB'000	2015 RMB'000
Employees		
– salaries and other benefits	**216**	798
– discretionary bonus*	**1,145**	1,652
– incentive payments and other benefits	**1,580**	–
	2,941	2,450

* The discretionary bonus is determined having regard to the performance and market trend by the remuneration committee of the Company.

Their emoluments were within the following bands:

	Number of Individual	
	2016	2015
HK$1,000,001 to HK$1,500,000 (equivalents to approximately RMB857,149 to RMB1,285,724)	**–**	1
HK$1,500,001 to HK$2,000,000 (equivalents to approximately RMB1,285,725 to RMB1,714,298)	**–**	2
HK$2,000,001 to HK$2,500,000 (equivalents to approximately RMB1,714,299 to RMB2,142,873)	**–**	1
HK$3,000,001 to HK$3,500,000 (equivalents to approximately RMB2,571,449 to RMB3,000,022)	**1**	–
HK$4,000,001 to HK$4,500,000 (equivalents to approximately RMB3,428,598 to RMB3,857,171)	**1**	1
HK$4,500,001 to HK$5,000,000 (equivalents to approximately RMB3,857,172 to RMB4,285,746)	**1**	–
HK$7,000,001 to HK$7,500,000 (equivalents to approximately RMB6,000,045 to RMB6,428,619)	**1**	–
HK$8,000,001 to HK$8,500,000 (equivalents to approximately RMB6,857,194 to RMB7,285,768)	**1**	–
	5	5

During the year ended 31 December 2016, no emoluments were paid by the Group to any of the directors of the Group as join or upon joining the Group or as compensation for loss of office except for an amount of RMB1,580,000 was paid by the Group to a five highest paid individual not holding directorship as an inducement to join the office. None of the directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

15. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 December 2016 and 2015. The directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

16. EARNINGS (LOSS) PER SHARE

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

	2016	2015
Earning/(Loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share (RMB'000)	**178,664**	(22,631)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**662,071,770**	400,369,973

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixture and equipment RMB'000	Machinery RMB'000	Construction in progress RMB'000	Leasehold Improvement RMB'000	Others* RMB'000	Total RMB'000
COST								
At 1 January 2015	257,630	15,916	7,146	250,823	12,534	–	50,405	594,454
Additions from purchases	11,758	–	2,537	14,060	23,552	2,063	14,318	68,288
Addition through acquisition of subsidiaries *(Note 38)*	–	–	253	–	–	–	–	253
Transfer from construction in progress	34,580	–	–	616	(35,196)	–	–	–
Disposal	(26,777)	(4,722)	(3,697)	(81,888)	–	–	(6,627)	(123,711)
Exchange realignment	–	(6)	(272)	(13)	–	–	–	(291)
At 31 December 2015 and 1 January 2016	277,191	11,188	5,967	183,598	890	2,063	58,096	538,993
Additions	30,903	3,059	960	3,100	31,755	918	4,806	75,501
Addition through acquisition of subsidiaries *(Note 38)*	240,833	4,469	56,931	2,128	3,484	–	164	308,009
Transfer from construction in progress	13,229	–	91	5,167	(19,169)	–	(3,453)	(4,135)
Disposal	–	(105)	–	(823)	–	–	(210)	(1,138)
Exchange realignment	–	(5)	(84)	(48)	–	–	–	(137)
At 31 December 2016	562,156	18,606	63,865	193,122	16,960	2,981	59,403	917,093
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2015	(26,770)	(4,889)	(4,139)	(109,739)	(1,657)	–	(8,903)	(156,097)
Provided for the year	(6,699)	(1,300)	(967)	(14,068)	–	(454)	(3,141)	(26,629)
Eliminated on disposal	18,540	2,600	3,749	78,820	1,657	–	6,646	112,012
Exchange realignment	–	(4)	59	(8)	–	–	–	47
At 31 December 2015 and 1 January 2016	(14,929)	(3,593)	(1,298)	(44,995)	–	(454)	(5,398)	(70,667)
Provided for the year	(8,009)	(1,639)	(2,074)	(13,091)	–	(953)	(4,199)	(29,965)
Eliminated on disposal	–	62	–	153	–	–	–	215
Exchange realignment	–	5	44	(71)	–	–	–	(22)
At 31 December 2016	(22,938)	(5,165)	(3,328)	(58,004)	–	(1,407)	(9,597)	(100,439)
CARRYING VALUES								
At 31 December 2015	262,262	7,595	4,669	138,603	890	1,609	52,698	468,326
At 31 December 2016	539,218	13,441	60,537	135,118	16,960	1,574	49,806	816,654

* Others mainly comprise various ancillary structures including wires, circuits and drainages etc.

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31 December 2016, amounted to RMB265,155,657 of buildings have not obtained property ownership certificate.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives taking into account of their estimated residual value:

Buildings	Over the shorter of the term of lease, or 30 years
Motor vehicles	5–10 years
Furniture, fixture and equipment, leasehold improvement	Over the shorter of the term of lease or 5–7 years
Machinery	1–15 years
Others	3–20 years

18. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2015	139,975
Charged for the year	(2,814)
At 31 December 2015 and 1 January 2016	137,161
Addition	33,205
Addition through acquisition of subsidiaries *(Note 38)*	8,013
Charged for the year	(3,377)
At 31 December 2016	175,002

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes:		
Current assets	**3,669**	3,007
Non-current assets	**171,333**	134,154
	175,002	137,161

The Group's prepaid lease payments comprise medium-term leasehold land located in the PRC. Prepaid lease payments are released to profit or loss over the lease terms ranging between 48 to 50 years.

As at 31 December 2016, amounted to RMB8,013,045 of leasehold land has not obtained land certificate.

19. INTEREST IN AN ASSOCIATE

	2016 **RMB'000**	2015 RMB'000
Cost of unlisted investment in an associate	**2,500**	2,500
Share of result and other comprehensive income	**–**	–
	2,500	2,500

浙江浙川減振器有限公司 Zhejiang Xichuan Shock Absorber Company Limited (the "**Zhejiang Cijan**") was established in the PRC with a registered capital of RMB10,000,000 in 2013 and is engaged in the manufacturing and sales of shock absorber component products. Zhejiang Cijan is owned as to 25% by the Group and 75% by another investor. The Group is able to exercise significant influence over Zhejiang Cijan because it has the power to appoint one out of the three directors of Zhejiang Cijan under the provisions stated in the Articles of Association of Zhejiang Cijan.

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

	2016 **RMB'000**	2015 RMB'000
Current assets	**10,436**	10,933
– cash and cash equivalent	**5,324**	6,334
Non-current assets	**2,676**	2,887
Current liabilities	**(2,671)**	(3,532)
Revenue	**420**	9,433
Profit for the year	**153**	289

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

	2016 **RMB'000**	2015 RMB'000
Net assets of Zhejiang Cijan	**10,441**	10,288
Proportion of the Group's ownership interest in Zhejiang Cijan	**25%**	25%

20. INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Cost of interests in joint ventures	**603,029**	–
Share of results and other comprehensive expenses during the year	**(4,516)**	–
	598,513	–

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

Name of entity	Place of establishment	Paid-in capital	Proportion of ownership interest held by the Group		Principal activities	Legal form
			2016	2015		
Wuxi Guolian First Capital Equity Investment Fund Centers (Limited partnership) ("**Wuxi Guolian**") 無錫國聯首控股權投資基金中心（有限合夥）	PRC	RMB975,000,000	**30%**	N/A	Equity investment	Domestic Limited liability partnership
Wuxi First Capital Lianxin Investment Center (Limited Partnership) ("**Wuxi Lianxin**") 無錫首控聯信投資中心（有限合夥）	PRC	RMB10,000,000	**60%**	N/A	Equity investment	Domestic Limited liability partnership
First Capital Dingge Investment Management (Shenzhen) Company Limited ("**FC Dingge**") 首控鼎革投資管理（深圳）有限公司	PRC	RMB5,000,000	**60%**	N/A	Investment management	Domestic Limited liability company
Zhuhai First Capital Education Investment Center (Limited Partnership) ("**Zhuhai Education**") 珠海首控教育產業投資基金（有限合夥）	PRC	RMB500,000,000	**20%**	N/A	Equity investment	Domestic Limited liability partnership
Shenzhen Shouzhong Education Development Company Limited ("**Shouzhong Education**") 深圳首中教育產業發展股權投資企業（有限合夥）	PRC	RMB400,040,000	**50%**	N/A	Equity investment	Domestic Limited liability partnership
First Capital Fund Management Wuxi Limited ("**FC Wuxi**") 首控基金管理無錫有限公司	PRC	RMB5,000,000	**60%**	N/A	Equity investment	Domestic Limited liability company

The activities which will significantly affect the variable returns of the above entities shall be decided unanimously by all the investors or by their representatives. The directors of the Company consider that the Group does not possess control over the entities, the entities are therefore classified as the joint ventures of the Group.

20. INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2016 prepared in conformity with HKFRSs are as below:

	Wuxi Guolian RMB'000	**Wuxi Lianxin** RMB'000	**FC Dingge** RMB'000	**Zhuhai Education** RMB'000	**Shouzhong Education** RMB'000	**FC Wuxi** RMB'000
Current assets	667,521	1,000	4,128	500,000	200,456	3,734
– cash and cash equivalent	4,969	953	4,128	10	3,719	350
Non-current assets	300,000	9,000	–	–	198,326	69
Current liabilities	–	–	–	–	–	674
Non-current liabilities	–	–	–	–	–	–
Revenue	–	–	–	–	–	–
Loss for the year (since incorporation)	(7,479)	–	(872)	–	(1,278)	(1,871)

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

	Wuxi Guolian RMB'000	**Wuxi Lianxin** RMB'000	**FC Dingge** RMB'000	**Zhuhai Education** RMB'000	**Shouzhong Education** RMB'000	**FC Wuxi** RMB'000	**Total** RMB'000
Net assets of each joint venture	967,521	10,000	4,128	500,000	398,782	3,129	N/A
Proportion of the Group's ownership interest in each joint ventures	30%	60%	60%	20%	50%	60%	N/A
Carrying amount of the Group's interest in each joint ventures	288,768	6,000	2,477	100,000	199,391	1,877	598,513
The Group's share of losses in each joint venture	(2,232)	–	(523)	–	(639)	(1,122)	(4,516)

21. INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Security trading Licence RMB'000	Software RMB'000	Student Roster RMB'000	School Brand RMB'000	Total RMB'000
COST							
At 1 January 2015	3,593	555	–	–	–	–	4,148
Additions	6,873	–	419	–	–	–	7,292
At 31 December 2015 and 1 January 2016	10,466	555	419	–	–	–	11,440
Additions through purchase	–	–	–	4,265	–	–	4,265
Additions through acquisition of businesses *(Note 38)*	–	–	–	–	49,947	35,376	85,323
At 31 December 2016	10,466	555	419	4,265	49,947	35,376	101,028
AMORTIZATION							
At 1 January 2015	(3,593)	(555)	–	–	–	–	(4,148)
Charge for the year	(6,873)	–	–	–	–	–	(6,873)
At 31 December 2015 and 1 January 2016	(10,466)	(555)	–	–	–	–	(11,021)
Charge for the year	–	–	(13)	(20)	(5,093)	(3,608)	(8,734)
At 31 December 2016	(10,466)	(555)	(13)	(20)	(5,093)	(3,608)	(19,755)
CARRYING VALUES							
At 31 December 2015	–	–	419	–	–	–	419
At 31 December 2016	–	–	406	4,245	44,854	31,768	81,273

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods from the acquisition date:

Customer relationship	8 years
Patents	4 years
Security Trading Licence	10 years
Software	10 years
Student roster	12 years
School brand	12 years

22. AVAILABLE FOR SALE INVESTMENT

	2016 **RMB'000**	2015 RMB'000
Unlisted investment:		
– Limited partnership	**70,265**	69,536
Analysed for reporting purposes as:		
Non-current assets	**70,265**	69,536

On 18 November 2013, the Group has invested HK$83,000,000 (approximately RMB65,761,000) in First Capital Automotive Component Industry M&A Fund L.P. (the "**Partnership**"), an exempted limited partnership established in the Cayman Islands principally engaging in making investments in and carrying out consolidations and mergers and acquisitions of automotive component business and assets in the PRC and overseas. On 28 April 2016, the Group has transferred its entire interests in the Partnership, with carrying amount of HK$83,000,000 (equivalent to RMB69,462,000), as partial payment during the acquisition of Brilliant Rich.

On 31 December 2016, the carrying amount of the available for sale investments represents the investment in a limited partnership incorporated in the United States of American, GSV Acceleration Fund I, L.P. ("**GSV Fund**"). The primary purpose of the GSV Fund is to make venture capital investments, by investing in and holding equity and equity-oriented securities of privately held companies focused on technologies that have the potential to transform education and accelerate the realization of human capital potential.

23. DEPOSITS FOR INVESTMENTS

Deposits for investments represent the deposits made for below investment targets:

	2016 **RMB'000**	2015 RMB'000
北京中際育才國際管理顧問有限公司 (Beijing Zhongjiyucai International Management Consultancy Limited)	**18,270**	–
廣州中星集團有限公司 (Guangzhou Zhongxing Group Limited)	**100,000**	–
北京世紀中天科技發展有限公司 (Beijing Shijizhongtian Technology Development Limited)	**30,000**	–
昆明職業藝術學院 (Kunming Professional College of Arts)*	**13,300**	–
	161,570	–

The English name is the translation of respective Chinese name and is for identification purpose only.

* The details of the transaction please refer to the Company's announcement dated 25 August 2016, 3 October 2016 and 28 December 2016.

24. GOODWILL

	2016 RMB'000	2015 RMB'000
COST		
At 1 January	**29,655**	29,655
Arising on acquisition of businesses *(Note 38)*	**455,641**	–
At 31 December	**485,296**	29,655
IMPAIRMENT		
At 1 January	**–**	–
At 31 December	**–**	–
CARRYING VALUES		
At 31 December	**485,296**	29,655

For the purposes of impairment testing, goodwill has been allocated to four cash-generating unit (the "**CGU**") 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 Jinan Baofei:	engages in providing K–12 Education services in the PRC
CGU Xishan Education:	engages in providing K–12 Education and vocational education services in the PRC

The carrying amounts of goodwill as at 31 December 2016 and 2015 allocated to these CGUs are as follows:

	Goodwill	
	2016 RMB'000	2015 RMB'000
CGU Nanyang Cijan	**29,655**	29,655
CGU Brilliant Rich	**101,763**	–
CGU Jinan Baofei	**61,638**	–
CGU Xishan Education*	**292,240**	–
Total	**485,296**	29,655

* The goodwill allocated to Xishan Education is on provisional basis, details are disclosed in note 38.

24. GOODWILL (Cont'd)

The basis of the recoverable amounts of the other CGUs and their major underlying assumption are summarised below:

Unit Nanyang Cijan

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10.93% (2015: 11.37%). Unit Nanyang Cijan's cash flows beyond the 5-year period are extrapolated using a growth rate of 2.21% (2015: 1.96%). This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit Nanyang Cijan to exceed the aggregate recoverable amount of the Unit.

Unit of Brilliant Rich

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 30% (2015: N/A). Unit Brilliant Rich's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit Brilliant Rich to exceed the aggregate recoverable amount of the Unit.

Unit of Jinan Baofei

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 14.2% (2015: N/A). Unit Jinan Baofei's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include expected tuition fee and number of student intake, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit Jinan Baofei to exceed the aggregate recoverable amount of the Unit.

Unit of Xishan Education

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 16.67% (2015: N/A). Unit Xishan Education's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit Xishan Education to exceed the aggregate recoverable amount of the Unit.

During the year ended 31 December 2016, the management determines that there is no impairment of the CGUs containing goodwill.

25. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**13,036**	3,406
Deferred tax liabilities	**(101,916)**	–

The following are the deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Allowance for doubtful debts RMB'000	**Provision for obsolete or slow-moving inventories RMB'000**	**Tax Losses RMB'000**	**Withholding tax RMB'000**	**Changes in fair value of financial instruments RMB'000**	**Fair value change on assets acquired through business combination RMB'000**	**Total RMB'000**
At 1 January 2015	1,337	2,221	–	–	–	–	3,558
Credit (charge) to profit or loss	509	(661)	–	–	–	–	(152)
At 31 December 2015 and 1 January 2016	1,846	1,560	–	–	–	–	3,406
Addition through acquisition of subsidiaries	–	–	–	–	–	(30,563)	(30,563)
Charge (credit) to profit or loss	894	3,226	5,510	(7,706)	(66,084)	2,437	(61,723)
At 31 December 2016	2,740	4,786	5,510	(7,706)	(66,084)	(28,126)	(88,880)

The Group had unrecognised tax losses as follows:

	RMB'000
At 1 January 2015	14,926
Utilisation	(639)
Addition	13,561
At 31 December 2015 and 1 January 2016	27,848
Utilisation	(201)
Addition	141,262
At 31 December 2016	168,909

25. DEFERRED TAXATION (Cont'd)

No deferred tax asset has been recognised in respect of unrecognised tax losses other than disclosed above, due to the unpredictability of future profits streams from the respective entities within the Group. As at 31 December 2016, the tax losses of RMB168,909,000 (31 December 2015: RMB27,848,000) will expire throughout to 2021 (2015: 2020). The Group has no other significant unrecognised deferred tax assets for the years ended 31 December 2016 and 2015.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. Other than Nanyang Cijan, other group companies established in the PRC has no distributable profits as at 31 December 2016 or 2015. At 31 December 2016, deferred taxation had been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of Nanyang Cijan at a tax rate of 10%.

26. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Raw materials	**42,098**	24,045
Work-in-progress	**13,159**	5,205
Finished goods	**152,324**	72,748
Consumables	**4,327**	–
	211,908	101,998

27. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2016 **RMB'000**	2015 RMB'000
Trade receivables *(Note a)*	**547,856**	392,224
Less: allowance for doubtful trade debts	**(18,270)**	(12,307)
	529,586	379,917
Bills receivables *(Note b)*	**29,004**	76,626
Other receivables *(Note c)*	**430,836**	32,579
Less: allowance for doubtful other debts	**–**	(7,921)
	430,836	24,658
Value-added tax recoverable	**2,981**	3,204
Advances to suppliers	**38,786**	20,822
Total trade and other receivables	**1,031,193**	505,227

27. TRADE AND OTHER RECEIVABLES (Cont'd)

Note a

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

	2016 RMB'000	2015 RMB'000
0 to 90 days	**491,461**	366,503
91 to 180 days	**32,172**	9,659
181 to 365 days	**5,953**	3,755
	529,586	379,917

Movement in the allowance for doubtful trade debts:

	2016 RMB'000	2015 RMB'000
Beginning balance	**12,307**	8,915
Addition	**8,161**	4,764
Reversal of allowance for doubtful trade debts	**(2,198)**	(1,372)
Ending balance	**18,270**	12,307

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is necessary for those balances which are not past due.

At 31 December 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB38,125,000 (31 December 2015: RMB13,414,000), which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customer. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired, prepared based on invoice date:

	2016 RMB'000	2015 RMB'000
91 to 180 days	**32,172**	9,659
181 to 365 days	**5,953**	3,755
	38,125	13,414

27. TRADE AND OTHER RECEIVABLES (Cont'd)

Note b

Bills receivables represent 銀行承兑匯票 ("**banker's acceptances**"), i.e. time drafts accepted and guaranteed for payment by banks in the PRC. Those banks accepting the banker's acceptances, which are state-owned banks or commercial banks in the PRC (the "**PRC Banks**"), are the primary obligors for payment on the due date of such banker's acceptances. The Group accepts the settlement of trade receivables by customers using banker's acceptances accepted by the PRC Banks on a case by case basis.

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

	2016	2015
	RMB'000	RMB'000
0 to 120 days	**27,400**	75,642
121 to 365 days	**1,604**	984
	29,004	76,626

Note c

Included in the balance are (i) an amount of RMB408,456,000, representing receivable from a company located in Nanchang, Jiangxi Province, PRC, which is controlled by the previous Controlling Shareholder of the Xishan Schools. (ii) balances comprise of employees' travel advances, deposits paid to local tax authorities, rental deposits and certain prepayments, all of which are expected to be recovered within twelve months after the end of reporting period.

Movement in the allowance for doubtful other receivables:

	2016	2015
	RMB'000	RMB'000
Beginning balance	**7,921**	15,628
Written off	**(7,921)**	(7,707)
Ending balance	**–**	7,921

28. LOAN AND INTEREST RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Loan receivables from third parties	**102,368**	43,234
Interest receivables from third parties	**8,122**	–
Total loan receivables from third parties	**110,490**	43,234

The balances outstanding at 31 December 2016 are of original maturity terms ranging from 1 month to 12 months, carrying interest of 5%–36% per annum.

Considering the high credibility of these customers and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the unsettled balances.

The Group does not hold any collateral over these balances.

29. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2016 **RMB'000**	2015 RMB'000
Equity securities:		
– Listed in HK	**708,157**	–
– Listed in the PRC	**800,167**	–
	1,508,324	–

The investment information of held for trading are as following:

	Main Business	**Number of Shares**	**Scales to Group**	**Cost** RMB'000	**Fair value at 31 December 2016** RMB'000
VIRSCEND EDU (HK.1516)	Education	125,446,000	8.525%	428,683	619,414
ARTGO HOLDINGS (HK.3313)	Trading	126,096,000	1.195%	76,457	86,851
GUANGAN AAA (SHA.600979) (Note a)	Energy	70,000,000	5.500%	357,460	399,617
JINLU GROUP (SZA.000510)	Manufacturing	30,459,147	5.127%	258,500	372,515
GIMC (SZA.002400)	Advertising	2,033,000	0.386%	28,035	28,035
Others	N/A	318,000	0.026%	1,892	1,892
		354,352,147	20.759%	1,151,027	1,508,324

Notes:

(a) As disclosed in the Company's announcement dated 9 December 2016, the Group acquired 70,000,000 Shares in Guangan AAA through the acquisition of the equity interest and the shareholder's loan of an equity, Sichuan Yujiage Hotel Management Limited (四川裕嘉閣酒店管理有限公司). The acquisition is regarded as an acquisition of assets.

30. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

During the year ended 31 December 2016, bank balances carry interest at market rates ranging from 0.001% to 0.35% (2015: 0.001% to 0.35%) per annum.

As at 31 December 2016, included in the balances of restricted bank balances are (i) an aggregate amount of RMB453,284,000 representing the customer deposits for trading securities, (ii) RMB130,000,000 representing bank deposits, (iii) RMB92,180,000 representing cash deposited with banks as pledge for the bills payable with an original maturity of three to six months issued to suppliers for purchase of raw materials.

During the year ended 31 December 2016, restricted bank balances, carrying interest at market rates ranging from 1.30% to 1.69% (2015: 0.35% to 2.05%) per annum.

The remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

31. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2016 RMB'000	2015 RMB'000
Trade payables *(Note a)*	**491,961**	357,438
Bills payables *(Note b)*	**82,520**	112,680
	574,481	470,118
Other payables	**58,709**	19,281
Customer deposits for securities trading	**478,950**	–
Consideration payables for acquisition of businesses *(Note 38)*	**331,740**	–
Consideration payables for held for trading investments	**321,750**	–
Other payables to employees *(Note c)*	**570**	813
Other tax payables	**40,575**	32,547
Other accruals	**72,084**	25,969
Payroll and welfare payables	**72,249**	13,486
	1,951,108	562,214
Less: Amount shown under non-current liabilities	**(410)**	(544)
Total trade and other payables shown under current liabilities	**1,950,698**	561,670

Note a

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

	2016 RMB'000	2015 RMB'000
Within 90 days	**314,697**	319,986
91–180 days	**26,344**	33,990
181–365 days	**146,641**	1,166
1–2 years	**4,279**	2,296
	491,961	357,438

31. TRADE AND OTHER PAYABLES (Cont'd)

Note b

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

	2016 **RMB'000**	2015 RMB'000
Within 30 days	**11,700**	4,260
31 to 60 days	**19,740**	12,430
61 to 90 days	**10,000**	–
91 to 180 days	**41,080**	95,990
	82,520	112,680

Trade payables and bills payables principally comprise amounts outstanding for purchase of materials. The average credit period for purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that sufficient financial resources are maintained to meet its financial obligation as they fall due.

Note c

Other payables to employees are interest-free and the settlement of the obligations is estimated to occur through to 2026. The payable to employee are calculated at the net present value of estimated future net cash flows of the payment obligation, discounted at 3.6% per annum at 31 December 2016 and 2015. Management has allocated the payables that are expected to be settled within twelve months after the end of reporting period as current liabilities. No assets was legally restricted for the purposes of settling the payables.

	2016 **RMB'000**	2015 RMB'000
At beginning of the year	**813**	1,097
Payment	**(283)**	(337)
Accretion during the year	**40**	53
At end of the year	**570**	813
Analysed for reporting purposes:		
Current liabilities	**160**	269
Non-current liabilities	**410**	544
	570	813

32. AMOUNT DUE TO A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Shouzhong Education	**198,270**	–

Amount due to a joint a joint venture represents the amount due from Shouzhong Education, the amount is non-trade related, unsecured, non-interest bearing, and without a fixed repayment term.

33. BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank borrowings	**516,729**	413,908
Debentures	**108,575**	69,195
Other borrowings *(Note)*	**888,656**	15,821
	1,513,960	498,924
Unsecured	**1,113,865**	378,924
Secured	**400,095**	120,000
	1,513,960	498,924

Note: Among other borrowings, amounting to RMB499,990,000 was borrowed from a joint venture, Zhuhai Education, carrying interest rate of 5% per annum, with borrowing period of one year.

The contractual maturity dates are as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**1,100,336**	436,508
More than one year, but not exceeding two years	**75,235**	6,913
More than two years, but not exceeding five years	**330,499**	46,550
More than five years	**7,890**	8,953
	1,513,960	498,924
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(1,100,336)**	(436,508)
Amounts shown under non-current liabilities	**413,624**	62,416

33. BORROWINGS (Cont'd)

The ranges of effective interest rates on the Group's borrowings are as follows:

	2016	2015
Fixed-rate borrowings	**4.14%–6.80% per annum**	4.5%–6.4% per annum

The Group has pledged certain assets to secure loan facilities granted to the Group. The carrying values of the assets pledged are as follows:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	**121,796**	192,371
Prepaid lease payments	**105,530**	101,213
Held for trading investments	**399,617**	–
	626,943	293,584

34. DEFERRED INCOME

	Government Grant RMB'000 Note a	**Advanced tuition fee** RMB'000 Note b	**Total** RMB'000
At 1 January 2015	10,090	–	10,090
Additions	6,000	–	6,000
Credit to profit or loss	(968)	–	(968)
At 31 December 2015 and 1 January 2016	15,122	–	15,122
Addition through acquisition of subsidiaries (Note 38)	–	346,747	346,747
Addition during the year	14,000	26,526	40,526
Credit to profit or loss	(1,089)	(35,920)	(37,009)
At 31 December 2016	28,033	337,353	365,386

34. DEFERRED INCOME (Cont'd)

Analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Current liabilities*	**69,561**	806
Non-current liabilities	**295,825**	14,316
	365,386	15,122

* The carrying amount which is expected to be released to profit or loss in the next twelve months from the end of reporting period is classified as current liability.

Notes:

a. The grant represents an amount 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.

b. Deferred income received in relation to advance tuition fees received resulting from the business acquisition (Note 38 b and c) and 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 schooling period of respective students.

35. PROVISIONS

	Warranty Provision RMB'000
At 1 January 2015	11,620
Additions	16,803
Utilisations	(11,303)
At 31 December 2015 and 1 January 2016	17,120
Additions	20,000
Utilisations	(15,725)
At 31 December 2016	21,395

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.

36. LONG TERM PAYABLES

	2016 **RMB'000**	2015 RMB'000
Long term payables	**24,860**	–

The balance is non-interest bearing, unsecured and repayable throughout to 2029.

37. SHARE CAPITAL

	Number of shares	**Share capital** HK$
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	10,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2015	384,000,000	38,400,000
Issue of shares *(Note a)*	76,800,000	7,680,000
Issue of shares *(Note b)*	92,160,000	9,216,000
At 31 December 2015 and 1 January 2016	552,960,000	55,296,000
Issue of shares *(Note c)*	110,592,000	11,059,200
Issue of shares *(Note d)*	132,698,000	13,269,800
Issue of shares *(Note e)*	100,000,000	10,000,000
At 31 December 2016	896,250,000	89,625,000

	2016 **RMB'000**	2015 RMB'000
Share capital presented in consolidated statement of financial position	**74,941**	45,311

Notes:

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

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

(c) On 10 May 2016, an aggregate of 110,592,000 shares were allotted and issued at the issuing price of HK$4.66 per share.

(d) On 21 September 2016, an aggregate of 132,698,000 shares were allotted and issued at the placing price of HK$6.00 per share.

(e) On 29 December 2016, an aggregate of 100,000,000 shares were allotted and issued at the placing price of HK$10.00 per share.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE

a. Acquisition of Brilliant Rich

On 28 April 2016, the Group acquired 100% equity interest in Brilliant Rich for consideration of HK$117,519,360 (RMB: 98,349,602). This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB101,763,000. Brilliant Rich is engaged in providing a direct platform for the Group exploiting good investment targets in the PRC. Details of the acquisition are set out in the Company's announcement dated 17 April 2016, 21 April 2016 and 10 May 2016.

Consideration transferred:

	RMB'000
Cash consideration paid	39,468
Consideration shares issued	431,293
Available for sale investment surrendered	69,462
	540,223
Less: consignment of shareholder loans	(441,873)
Total	98,350

As part of the consideration for the acquisition of Brilliant Rich Limited, 110,592,000 ordinary share of the Company with par value of HK$0.1 each were issued. The fair value of the share of the Company, determined using the published price available at the date of the acquisition, amounted to HK$515,358,720 (RMB431,293,406).

Assets acquired and liabilities recognized at the date of acquisition are as follow:

	RMB'000
Property, plant and equipment	1,553
Loan receivables	137,145
Interest receivables	5,412
Other receivables	5,649
Bank balances	197,418
Available for sale investment	91,990
Amount due to ex-shareholder	(441,873)
Other payables	(707)
	(3,413)

The fair value of trade and other receivable at the date of acquisition amounted to RMB5,649,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB5,649,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

a. Acquisition of Brilliant Rich (Cont'd)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	98,350
Less: Net liabilities acquired	(3,413)
Goodwill arising on acquisition	101,763

Goodwill arose in the acquisition of Brilliant Rich because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Brilliant Rich. These benefit are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Brilliant Rich:

	RMB'000
Cash consideration paid	39,468
Less: cash and cash equivalent balances acquired	197,418
	(157,950)

Included in the profit for the year is RMB12,594,000 attributable to the additional business generated by Brilliant Rich. Revenue for the year includes RMB10,812,000 generated from Brilliant Rich.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been RMB1,474,059,000, and profit for the year would have been RMB184,078,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

b. Acquisition of Jinan Baofei

On 1 September 2016, the Group acquired 51% equity interest in Jinan Baofei for consideration of RMB122,400,000. Pursuant to certain Contractual Arrangement (note 2), the Group is entitled to obtain economic interest and benefits from its business activities of the schools held by the School Holders, Jinan Baofei upon completion. This acquisition has been accounted for using the acquisition method. Jinan Baofei and its subsidiary is engaged in providing K–12 Education services in the PRC. The transaction was subsequently completed on 1 September 2016.

	RMB'000
Consideration transferred:	
Cash consideration paid	90,660
Consideration payable	31,740
Total	122,400

Assets acquired and liabilities recognized at the date of acquisition are as follow:

	RMB'000
Property, plant and equipment	82,107
Bank balances and cash	19,907
Trade and other receivables	763
Inventory	76
Trade and other payables	(3,044)
Deferred income	(30,218)
Income tax payable	(5,210)
Student Roster	49,947
School Brand	35,376
Deferred tax liability	(30,563)
	119,141

The fair value of trade and other receivable at the date of acquisition amounted to RMB763,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB763,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	122,400
Add: non-controlling interests (49% in Jinan Baofei)	58,379
Less: net assets acquired	(119,141)
Goodwill arising on acquisition	61,638

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

b. Acquisition of Jinan Baofei (Cont'd)

Goodwill arose in the acquisition of Jinan Baofei because the cost of the combination included amounts in relation to students base and connection to professional specialties in the field of K–12 Education and the development of the Group's education business and futher enhance corporate growth and achieve cost reduction and operation efficiency. These benefit are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Jinan Baofei:

	RMB'000
Cash consideration paid	90,660
Less: cash and cash equivalent balances acquired	(19,907)
	70,753

Included in the Sales and Purchase Agreement, there is contingent compensation arrangement. The vendor warrants that the audited net profit after tax of the school held by Jinan Baofei prepared in accordance with Hong Kong Financial Reporting Standards ("**Net Profit**") for each of the three financial years ending 31 December 2016, 2017 and 2018 ("**Guarantee Periods**") shall not be less than RMB20.0 million, RMB26.0 million and RMB33.8 million, respectively ("**Profit Guarantee**").

The compensation amount for the Jinan Baofei is subject to the adjustment in the following manner:

Should the proportion of the deficit of the school's net profit to the Profit Guarantee for any year during the Guarantee Periods is greater than 10%, the Group is entitled to demand a compensation by the vendor in cash ("**Cash Compensation**") or the equity interest in Jinan Baofei held by the vendor ("**Share Compensation**") of up to 49% of the equity interest in Jinan Baofei. The compensation will be calculated as follows:

Cash Compensation:

The compensation for the year ended 31 December 2016 = {the absolute value of the difference for 2016* the agreed price-to-earnings multiples* 51%}

The compensation for the year ended 31 December 2017 = {the absolute value of the difference for 2017* the agreed price-to-earnings multiples* 51%– the compensation for the year ended 31 December 2016}

The compensation for the year ended 31 December 2018 = {the absolute value of the difference for 2018* the agreed price-to-earnings multiples* 51%– the compensation for the year ended 31 December 2016 and the year ending 31 December 2017}

Share Compensation:

Percentage of compensation shares for the year ended 31 December 2016 = 51%* (Profit Guarantee for the year ended 31 December 2016/Net Profit for the year ended 31 December 2016)-1

Percentage of compensation shares for the year ended 31 December 2017 = 51%* (Profit Guarantee for the year ended 31 December 2017/Net Profit for the year ended 31 December 2017)-1 – percentage of compensated shares for the years ended 31 December 2016

Percentage of compensation shares for the year ended 31 December 2018 = 51%* (Profit Guarantee for the year ended 31 December 2018/Net Profit for the year ended 31 December 2018)-1 – percentage of compensated shares for the years ended 31 December 2016 and 2017

The directors do not consider it is probable that this compensation will occur and the estimated fair value of this contingent assets at the acquisition date is assessed as insignificant.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

b. Acquisition of Jinan Baofei (Cont'd)

Included in the profit for the year is RMB7,474,397 attributable to the additional business generated by Jinan Baofei. Revenue for the year includes RMB24,451,125 generated from Jinan Baofei.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been RMB1,632,658,000, and profit for the year would have been RMB199,174,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the 'pro forma' revenue and profit of the Group had Jinan Baofei been acquired at the beginning of the current year, the directors have:

Calculated depreciation of plant and equipment and intangible assets acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statement.

c. Acquisition of Xishan Education

On 30 November 2016, the Group acquired 58.3% equity interest in the subsidiary Xishan Education for consideration of RMB350,000,000. Pursuant to certain Contractual Arrangement (note 2), the Group is entitled to obtain economic interest and benefits from its business activities of the schools held by the Xishan Education upon completion. This acquisition has been accounted for using the acquisition method. Xishan Education and its subsidiary is engaged in providing K-12 Education and vocational education services in the PRC.

	RMB'000
Consideration transferred:	
Cash consideration paid	50,000
Consideration payable	300,000
Total	350,000

Assets acquired and liabilities recognized at the date of acquisition are as follow:

	RMB'000
Property, plant and equipment	224,349
Prepaid lease payment	8,013
Trade and other receivable	406,776
Inventory	3,463
Bank balances and cash	6,586
Bank borrowing	(128,300)
Other borrowing	(50,000)
Trade and other payable	(30,529)
Deferred income	(316,529)
Long term payable	(24,756)
	99,073

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

c. Acquisition of Xishan Education (Cont'd)

The fair value of trade and other receivable at the date of acquisition amounted to RMB406,776,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB406,776,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

	RMB'000
Goodwill arising on acquisition:	
Consideration	350,000
Add: non-controlling interests (41.7% in Xishan Education)	41,313
Less: net assets acquired	(99,073)
Goodwill arising on acquisition	292,240

The fair values of the assets and liabilities of the Xishan Education and its subsidiaries are measured based on provisional values and are subject to change pending finalisation of the valuation of the consideration and the assets and liabilities. The finalisation of those valuation, could affect the amounts of the assigned to the assets, liabilities and the related depreciation/amortisation charges for assets and the amount of goodwill arising from the acquisition.

Goodwill arose in the acquisition of Xishan Education because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Xishan Education. These benefit are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Xishan Education:

	RMB'000
Cash consideration paid*	–
Less: cash and cash equivalent balances acquired	(6,586)
	(6,586)

* As at 31 December 2016, amounted to RMB50,000,000 was paid to the vendor by Shouzhong Education on behalf of the Group.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

c. Acquisition of Xishan Education (Cont'd)

Included in the Sales and Purchase Agreement, there is contingent compensation arrangement. The vendors warrant that the audited consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of the Xishan Education prepared in accordance with Hong Kong Financial Reporting Standards for each of the three financial years ending 31 December 2017, 2018 and 2019 ("**Guarantee Periods**") shall not be less than RMB50.0 million, RMB65.0 million and RMB85.0 million, respectively ("**Profit Guarantee**").

The compensation amount for the Xishan Education is subject to the adjustment in the following manner:

Should the deficit (if any) between the Guarantee Periods' EBITDA is more than 7%, the compensation for each year will be 5% of the Xishan Education's equity interest voluntarily transferred to the Group.

The directors do not consider it is probable that this compensation will occur and the estimated fair value of this contingent assets at the acquisition date is assessed as insignificant.

d. Disposal of shares in Guolian Financial Holding Group Company Limited (GF Holding)

As at 7 January 2016, GF Holding was incorporated with a registered share capital of HK$500,000,000, of which the Company contributed HK$175,000,000 for 35% equity interest and the remaining equity interest were held by another two parties not connected to the Group. According to the investment agreement, The activities which will significantly affect the variable return of GF Holding require unanimous approval form three investors and the investment was accounted for as investment in a joint venture. During the year ended 31 December 2016, also disclosed in the Company's announcement dated 12 December 2016, the Company disposed it's entire equity interests in Guolian Financial Holding Group Company Limited at cash consideration of approximately HK$173,920,000. A loss of HK$1,080,000 (equivalent to RMB926,000) is recognised in the profit or loss upon the disposal, being the difference between the consideration and the net asset value of the investee at the date of the disposal.

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

e. Acquisition in the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired 51% of equity interest in 深圳君拓移民諮詢服務有限公司 (Shenzhen Juntour Immigration Consulting Services Limited) and 65% of equity interest in 深圳冠橋移民諮詢有限公司 (Shenzhen Crown Bridge Immigration Consulting Limited), respectively, for total cash consideration of HK$7,241,000 (equivalent to RMB5,695,000) from an independent third party (Acquisition 1). On 8 June 2015, the Group acquired 100% of equity interest in First Capital Group Limited, and its wholly-owned subsidiaries, First Capital Financial Limited and First Capital Wealth Management Limited, for total cash consideration of HK$2,112,000 (equivalent to RMB1,660,000) from a related party, a nephew of Mr. Wilson Sea (Acquisition 2).

Assets acquired and liabilities recognised at the date of acquisition are as follows:

Acquisition 1

	RMB'000
Property, plant and equipment	243
Backlog contracts#	4,119
Other receivables	1,946
Loan receivables	3,300
Bank balances	363
Other payables	(152)
	9,819
Plus: non-controlling interests	(4,124)
	5,695
Satisfied by:	
Cash consideration paid	5,695
Net cash outflow on Acquisition 1:	
Cash consideration paid	(5,695)
Less: Cash and cash equivalents balances acquired	363
	(5,332)

38. ACQUISITION OF SUBSIDIARIES/DISPOSAL OF A JOINT VENTURE (Cont'd)

e. Acquisition in the year ended 31 December 2015 (Cont'd)

The loan receivables acquired with a fair value of RMB3,300,000, which also represented the gross contractual amounts and the best estimate at acquisition date of the contractual cash flows expected to be collected.

Acquisition 2

	RMB'000
Property, plant and equipment	10
Backlog contracts#	2,754
Other receivables	2
Bank balances and cash	2,911
Other payables	(4,017)
	1,660
Satisfied by:	
Cash consideration paid	1,660
Net cash inflow on Acquisition 2:	
Cash consideration paid	(1,660)
Less: Cash and cash equivalents balances acquired	2,911
	1,251

Included in the loss for the year of the Group is approximately RMB8 million loss attributable to the additional business generated by Acquisition 1 and approximately RMB0.5 million profit attributable to Acquisition 2. Revenue for the year of the Group includes approximately RMB1.5 million in respect of Acquisition 1 and approximately RMB2 million in respect of Acquisition 2.

The acquisition-related costs have been recognized in the consolidated statement of profit or loss and other comprehensive income.

Backlog contracts represent consultancy services expected to be rendered by the two newly acquired companies post the acquisition date. Subsequent to the completion of the acquisition, due to the changes in demand for relevant immigration and financing services along with stringent immigration control over PRC national, the management assessed that it is hardly to make a reliable estimate on the timing the services will be delivered. Consequently, the backlog contracts were fully written off and recognised in the profit or loss.

* The English name is the unofficial translation of respective Chinese name and is for identification purposes only.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

The minimum lease payment under operating lease in respect of office premises amounted to RMB38,447,000 (2015: RMB7,272,000) for the year ended 31 December 2016.

At the end of the reporting period, the Group had commitments for future lease payments under non-cancellable operating leases which fall due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**46,260**	17,969
One to two years	**26,567**	7,917
Two to three years	**59,168**	1,469
	131,995	27,355

Operating lease payments represent rental payable by the Group for certain office premises and warehouses. Leases are negotiated for original terms of 1 to 2 years with fixed rental.

40. OTHER COMMITMENTS

	2016 **RMB'000**	2015 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	**30,761**	28,850

41. RELATED PARTY DISCLOSURES

(a) Other than those disclosed elsewhere in the consolidated financial statements, compensation of key management personnel is related party transaction. The remuneration of directors of the Company and other members of key management during the years ended 31 December 2016 and 2015 were as follows:

	2016 **RMB'000**	2015 RMB'000
Short-term benefits	**38,924**	15,948
Post-employment benefits	**30**	15
Incentive payment on joining	**1,581**	–
Estimated value of non-cash benefit	**257**	–
	40,792	15,963

(b) The balance of amount due to an associate is non-trade related, unsecured, non-interest bearing and without a fixed repayment term.

42. RETIREMENT BENEFIT PLAN

The employees of the Group are either members of state-managed retirement benefit scheme operated by the PRC government or members of the Mandatory Provident Fund Scheme in Hong Kong. The Company's subsidiaries 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.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Carrying amount at 31 December	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Trade and other receivables*	**989,426**	481,201
Restricted bank balances	**675,464**	113,180
Bank balances and cash	**1,324,651**	402,929
Loan and interest receivables	**110,490**	43,234
	3,100,031	1,040,544
Held for trading investments	**1,508,324**	–
Available for sale investments	**70,265**	69,536
	4,678,620	1,110,080
Financial liabilities		
Amount due to an associate	**2,197**	3,832
Trade and other payables**	**1,766,201**	490,212
Borrowings – due within one year	**1,100,336**	436,508
Borrowings – due after one year	**413,624**	62,416
Long term payables	**24,860**	–
Amount due to a Joint Venture	**198,270**	–
	3,505,488	992,968

* Excluded value-added tax recoverable, advances to suppliers and prepayments.

** Excluded payroll and welfare payables, other tax payable and accruals.

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

43. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) 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.

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 profit for the year ended 31 December 2016 would increase/decrease by approximately RMB1,651,000 (2015: RMB439,000 decrease/increase in the Group's loss). In the director's opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during the year.

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

(ii) Currency risk

Certain bank balances and borrowing of the Group are denominated in Hong Kong dollars ("**HK$**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Bank balances	**19,521**	264,930
Loan and interest receivables	**52,408**	36,247
Borrowing	**–**	(80,682)

Based on the above net exposures, and assuming that all other variables remain constant at year end, a 1% (2015: 1%) depreciation/appreciation of the HK$ against RMB would result in an increase/decrease in the Group's profit for the year of approximately RMB719,000 for the year ended 31 December 2016 and (2015: RMB2,205,000 decrease/increase in the Group's loss). In the director's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

The Group monitors currency exposure and will consider hedging significant currency exposure should the need arise.

43. FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which cause financial loss to the Group due to failure to discharge an obligation by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. At 31 December 2016, under the automobile shock absorbers business, the Group had concentration of credit risk on trade receivables as 49.2% (31 December 2015: 24.2%) of total trade receivables were due from top 10 customers.

The Group manages this risk by reviewing the recoverable amount of each individual trade debt and other debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's sales of automobile shock absorbers to customers are mainly on an average credit period of 90 days. In order to minimise the credit risk, the credit terms are granted to original automobile manufacturers based on the creditworthiness and the Group's existing relationships with the customers.

The Group has credit risk on loan and interests receivables. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties comprise of a number of banks which are state-owned banks located in the PRC or those with good reputation and high credit ratings assigned by PRC or international credit-rating agencies.

The Group had concentration of credit risk by geographical location as trade receivables and bills receivables comprise various debtors which are all located in PRC during the years ended 31 December 2015 and 2016.

Other than the concentration of the credit risk on trade receivables, bills receivables, loan receivables, restricted bank balances and bank balances, the Group does not have any other significant concentration of credit risk.

43. FINANCIAL INSTRUMENTS (Cont'd)

(d) Liquidity risk

In the management of the liquidity risk, the Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management monitors the utilisation of bank and other borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities as at the end of reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2016								
Amount due to an associate	**n/a**	**2,197**	**–**	**–**	**–**	**–**	**2,197**	**2,197**
Trade and other payables	**n/a**	**1,547,287**	**214,065**	**4,279**	**–**	**–**	**1,765,631**	**1,765,631**
Other payables to employees	**3.6**	**–**	**168**	**133**	**265**	**91**	**657**	**570**
Borrowings	**4.6**	**138,527**	**893,470**	**232,213**	**311,698**	**43,773**	**1,619,681**	**1,513,960**
Long-term payables	**4.9**	**–**	**900**	**1,740**	**7,680**	**24,176**	**34,496**	**24,860**
Amount due to a Joint Venture	**n/a**	**198,270**	**–**	**–**	**–**	**–**	**198,270**	**198,270**
		1,886,281	**1,108,603**	**238,365**	**319,643**	**68,040**	**3,620,932**	**3,505,488**
As at 31 December 2015								
Amount due to an associate	n/a	3,832	–	–	–	–	3,832	3,832
Trade and other payables	n/a	472,709	16,690	–	–	–	489,399	489,399
Other payables to employees	3.6	–	283	168	326	163	940	813
Borrowings	5.8	171,239	277,131	7,952	60,821	29,647	546,790	498,924
		647,780	294,104	8,120	61,147	29,810	1,040,961	992,968

43. FINANCIAL INSTRUMENTS (Cont'd)

(e) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Some of the Group's financial instruments are measured at fair value for financial reporting purpose. In estimating the fair value, the Group use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets are determined (in particular, the techniques and inputs used.

Fair value hierarchy as at 31 December 2016

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Financial assets				
Held for trading investments – listed securities	1,108,707	399,617	–	1,508,324

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique and key inputs**
	2016 **RMB'000**	2015 RMB'000		
Held for trading investments – listed securities	**399,617**	N/A	Level 2	Quoted bid prices in an active market, discounted based on the restricted period of disposal of the listed securities.

44. PARTICULARS OF SUBSIDIARIES

As 31 December 2016, the Company has the following indirectly held, unless otherwise stated, subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital	Effective equity interest attributable to the Group 2016	2015	Principal activities	Legal form
Brilliant Rich Holdings Limited	BVI 4 May 2012	United States Dollar ("**US$**") 100	**100% (directly)**	N/A	Investment holding	Private limited liability company
Brilliant Rich International Holdings Limited	Hong Kong 6 November 2012	HK$1	**100%**	N/A	Investment holding	Private limited liability company
CFCG Investment Partners International (Australia) Pty Ltd	Australia 25 July 2016	HK$780	**100%**	N/A	Investment consulting	Private limited liability company
CFCG Investment Partners International (Singapore) Pte. Ltd.	Singapore 24 May 2016	HK$2,875,125	**100% (directly)**	N/A	Investment consulting	Private limited liability company
CFCG Investment Partners International (UK) Limited	UK 15 August 2016	HK$954,000	**100%**	N/A	Investment consulting	Private limited liability company
Chengdu Fudao Business Consulting Company Limited* 成都孚道商務諮詢有限公司	PRC 13 September 2016	–	**100%**	N/A	Business consulting	Domestic limited liability company
Chongqing Fuxin Business News Consulting Company Limited* 重慶孚新商務資訊諮詢有限公司	PRC 10 October 2016	–	**100%**	N/A	Business consulting	Domestic limited liability company
Cijan Way Assauto	Italy 20 June 2016	European Dollar ("**EUR**") 100,000	**100%**	100%	Not yet commenced business	Private Limited liability company
FCAM Fund Management Company Limited	Cayman Islands 6 December 2016	US$1	**100%**	N/A	Investment holding	Private limited liability company
First Bridge Limited	BVI 30 April 2013	US$1	**100%**	100%	Investment holding	Private limited liability company
First Capital Asset Management Limited	Hong Kong 4 June 2014	HK$10,000,000 (2015: First Capital Financial Limited HK$6,500,000)	**100%**	100%	Asset management	Private limited liability company
First Capital Clean Energy Investment Holdings Limited	Hong Kong 4 May 2015	HK$100,000,000	**100%**	100%	Not yet commenced business	Private limited liability company
First Capital Education Investment Holdings Limited	BVI 16 November 2016	US$1	**100% (directly)**	N/A	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	PRC 9 March 2016	RMB100,000,000	**100%**	N/A	Educational investment	Private limited liability company
First Capital Financial Holdings Company Ltd.	Hong Kong 25 February 2016	HK$10,000,000	**100%**	N/A	Not yet commenced business	Private limited liability company

44. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital	Effective equity interest attributable to the Group 2016	2015	Principal activities	Legal form
First Capital Fund Management Company Ltd* 首控基金管理有限公司	PRC 14 September 2012	RMB500,000,000	**100%**	–	Fund Management	Private limited liability company
First Capital Finance Limited	Hong Kong 29 January 2015	HK$10,000,000	**100% (directly)**	100% (directly)	Investment Holding	Private limited liability company
First Capital Group Limited	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$10,000,000	**100%**	N/A	Financial consulting	Private limited liability company
First Capital International Clean Energy Investments Holdings Limited	BVI 16 April 2015	US$1	**100% (directly)**	100%	Investment holding	Private limited liability company
First Capital International Finance Limited	BVI 29 January 2016	US$1	**100%**	N/A	Investment holding	Private limited liability company
First Capital International Holdings Limited	Hong Kong 23 January 2015	HK$10,000,000	**100%**	100%	Not yet commenced business	Private limited liability company
First Capital International Investments Holdings Limited**	BVI 7 September 2015	US$1	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
First Capital International Investment Holdings Limited	Hong Kong 23 September 2015	HK$100,000,000 (2015: nil)	**100%**	100%	Investment holding	Private limited liability company
First Capital Mega Group Limited	BVI 25 November 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
First Capital Mega International Limited	BVI 25 November 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
First Capital Multi-Series Fund SPC	Cayman Islands 25 April 2016	US$1	**100%**	N/A	Not yet commenced business	Private limited liability company
First Capital Overseas Company Limited	BVI 6 January 2015	US$1	**100% (directly)**	100% (directly)	Investment Holding	Private limited liability company
First Capital Properties Limited	Hong Kong 23 July 2015	HK$100,000	**100%**	100%	Property management	Private limited liability company
First Capital Securities Limited	Hong Kong 23 July 2015	HK$300,000,000 (2015: HK$100,000,000)	**100%**	100%	Financial Services	Private limited liability company
First Capital Wealth Management Limited	Hong Kong 5 December 2014	HK$500,000	**100%**	100%	Asset management	Private limited liability company
First Capital Zhongying Industrial (Shenzhen) Company Limited* 首控中盈實業(深圳)有限公司	PRC 11 August 2016	RMB100,000,000	**100%**	N/A	Not yet commenced business	Private limited liability company

44. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital	Effective equity interest attributable to the Group 2016	2015	Principal activities	Legal form
Fuqing Guowen Education Management Company Limited* 福清市國文教育管理有限公司	PRC 4 May 2016	–	**58.3%**	N/A	Not yet commenced business	Private limited liability company
Fuqing Xishan School/Fuqing Xishan Vocational-technical School* 福清西山學校/福清西山職業技術學校	PRC 16 June 2005/ 23 September 2008	RMB33,120,000	**58.3%**	–	Educational services	Private limited liability company
Fushang Equity Investment Fund Management (Shanghai) Company Limited* 孚商股權投資基金管理(上海)有限公司	PRC 12 January 2016	–	**100%**	N/A	Fund Management	Domestic Limited liability company
Fuzhou Topford Vast Education Consulting Company Limited* 福州全悦教育諮詢有限公司	PRC 28 July 2016	–	**58.3%**	N/A	Not yet commenced business	Private limited liability company
Fuzhou Xishan Education Management Company Limited* 福州市西山教育管理有限公司	PRC 19 April 2016	–	**58.3%**	N/A	Not yet commenced business	Private limited liability company
Guang Da (China) Automotive Components Holdings Limited	Hong Kong 14 June 2010	HK$1	**100%**	100%	Investment holding	Private limited liability company
Haikou Danjiang Auto Shock Absorber Company Limited* 海口丹江汽車減振器有限公司	PRC 20 March 2006	RMB1,000,000	**100%**	100%	Not yet commenced business	Domestic limited liability company
Hong Kong Education & Finance Academy Limited	Hong Kong 16 June 2016	HK$100,000	**100%**	N/A	Not yet commence business	Private limited liability company
Hong Yang (Hong Kong) Limited	Hong Kong 5 August 2016	–	**51%**	N/A	Not yet commenced business	Private limited liability company
Jinan Baofei Enterprise Management Company Limited* 濟南寶飛企業管理有限公司	PRC 6 June 2016	–	**51%**	N/A	Not yet commenced business	Private limited liability company
Jinan First Capital Education Consulting Company Limited* 濟南首控教育諮詢有限公司	PRC 17 November 2016	–	**51%**	N/A	Not yet commenced business	Private limited liability company
Jinan Shijiyinghua Experiment School* 濟南世紀英華實驗學校	PRC 30 August 2003	RMB10,000,000	**51%**	–	Educational services	Private limited liability company
Jinxian Xishan Education Management Company Limited* 進賢縣西山教育管理有限公司	PRC 4 May 2016	–	**58.3%**	N/A	Not yet commenced business	Private limited liability company

44. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital	Effective equity interest attributable to the Group 2016	2015	Principal activities	Legal form
Jiangxi Xishan School/Xishan Education Group* 江西省西山學校／西山教育集團	PRC 18 December 2001/ 30 July 2003	RMB45,570,000	**58.3%**	N/A	Educational services	Private limited liability company
Mega Perfect Group Limited	BVI 8 November 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
Mega Perfect International Corporation	BVI 18 October 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
Mega Premium Enterprises Limited	BVI 18 October 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
Mega Perfect Enterprises Limited	BVI 8 November 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
Mega Premium International Limited	BVI 8 November 2016	US$100	**100%**	N/A	Investment holding	Private limited liability company
Merit leader Investment Limited	BVI 10 March 2010	US$50,000	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
Nanyang Cijan Automobile Absorber Company Limited* 南陽淅減汽車減振器有限公司	PRC 23 June 2005	HK$320,000,000 (2015: HK$447,080,000)	**70%**	70%	Research, development and manufacture of automobile shock absorber and suspension system products	Foreign invested limited liability company
Nanyang Way Assauto Auto Shock Absorber Company Limited* 南陽威奧斯圖車輛減振器有限責任公司***	PRC 24 March 2016	RMB20,000,000	**51%**	N/A	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Ordos Cijan Auto Shock Absorber Company Limited* 鄂爾多斯市淅減汽車減振器有限公司	PRC 14 August 2013	RMB10,000,000	**100%**	100%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Rosser Investments Limited	BVI 12 May 2016	–	**51%**	N/A	Investment holding	Private limited liability company
Shanghai Jintang Investment Consulting Company Limited* 上海錦塘投資諮詢有限公司	PRC 27 March 2012	RMB796,848	**100%**	–	Investment consulting	Private limited liability company
Shanghai Shenlian Investment Management Company Limited* 上海申聯投資管理有限公司	PRC 30 March 2007	RMB2,000,000	**100%**	–	Investment consulting	Private limited liability company

44. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital	Effective equity interest attributable to the Group 2016	2015	Principal activities	Legal form
Shenzhen Crown Bridge Immigration Consulting Limited* 深圳冠橋移民諮詢有限公司	PRC 1 April 2014	RMB8,500,000 (2015: RMB5,000,000)	**65%**	65%	Immigration Consulting business	Domestic Limited liability company
Shenzhen First Capital International E-commerce Limited* 深圳首控國際電子商務有限公司	PRC 27 March 2015	–	**100%**	100%	Not yet commenced business	Domestic Limited liability company
Shenzhen First Capital International Business Consulting Limited* 深圳首控國際商務諮詢有限公司	PRC 22 April 2015	–	**100%**	100%	Not yet commenced business	Domestic Limited liability company
Shenzhen Juntour Immigration Consulting Services Limited* 深圳君拓移民諮詢服務有限公司	PRC 27 November 2014	RMB5,000,000	**51%**	51%	Immigration Consulting business	Domestic Limited liability company
Shenzhen Qianhai First Capital Financial Leasing Company Limited* 深圳前海首控融資租賃有限公司	PRC 27 August 2015	–	**100%**	100%	Not yet commenced business	Domestic limited liability company
Sichuan Yujiage Hotel Management Company Limited* 四川裕嘉閣酒店管理有限公司	PRC 1 August 2012	RMB120,000,000	**100%**	–	Hotel management	Private limited liability company
Topford Vast International Co., Ltd.	BVI 19 July 2016	–	**58.3%**	N/A	Investment holding	Private limited liability company
Topford Vast Limited	Hong Kong 10 June 2016	–	**58.3%**	N/A	Not yet commenced business	Private limited liability company
Way Ass1auto Srl	Italy 21 June 2011	EUR110,000	**100%**	100%	Research, development of automobile shock absorber products	Private limited liability company
Yunnan First Capital Education Management Company Limited* 雲南首控教育管理有限公司	PRC 1 July 2016	RMB100,000,000	**100%**	N/A	Educational investment	Private limited liability company
Zhuhai First Capital Jiayuan Asset Management Company Limited* 珠海市首控嘉源資產管理有限公司	PRC 19 August 2016	RMB3,000,000	**60%**	N/A	Asset management	Private limited liability company

* The English name is the translation of respective Chinese name and is for identification purposes only.

** The name of the subsidiary was changed from "First Capital International Investments Holdings Limited" to "First Capital International Investments Group Limited" on 17 March 2017.

*** As disclosed in the Company's announcement dated 24 March 2016, Nanyang Cijan, Mr. Zhao Zhijun, Ms. Yang Weixia and other shareholders agreed to form an entity in the PRC, Nanyang Way Assauto Auto Shock Absorber Company Limited.

None of the above subsidiaries had issued any debt securities during the years or at the end of reporting period.

45. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 19 October 2011, the Company approved and adopted a share option scheme (the "**Scheme**") which will remain in force for a period of 10 years from the date of its adoption. Details of the Scheme are set out in section titled 'Share Option Scheme' in the annual reports.

During the years ended 31 December 2016 and 2015, no share options were granted under the Scheme by the Company. In addition, as of 31 December 2016 and 2015, no share options under the Scheme were outstanding.

46. FINANCIAL INFORMATION OF THE COMPANY

	2016 **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3,951**	2,796
Investment in subsidiaries/a subsidiary	**214,220**	9,916
Amount due from subsidiaries *(Note a)*	**1,080,698**	201,379
Available for sale investment		
– unlisted limited partnership	**–**	69,536
	1,298,869	283,627
CURRENT ASSETS		
Held for trading securities	**711,610**	–
Trade and other receivables	**18,689**	2,348
Loan receivables	**–**	22,750
Bank balances and cash	**850,768**	223,207
	1,581,067	248,305
TOTAL ASSETS	**2,879,936**	531,932
CURRENT LIABILITIES		
Amount due to a subsidiary *(Note a)*	**90,459**	4,754
Trade and other payables	**36,699**	6,640
Borrowings – due within one year	**10,240**	6,778
	137,398	18,172
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,742,538**	513,760
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**98,335**	61,605
Deferred tax liabilities	**27,483**	–
OWNER'S EQUITY		
Share capital	**74,941**	45,311
Reserves *(Note b)*	**2,541,779**	406,844
TOTAL OWNER'S EQUITY	**2,616,720**	452,155

46. FINANCIAL INFORMATION OF THE COMPANY (Cont'd)

Notes:

a. The balances are non-trade related, interest free, unsecured and repayable on demand.

b. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out as below:

	Share Premium	Translation Reserve	Accumulated Profits (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	186,462	–	(41,495)	144,967
Issue of new shares	263,012	–	–	263,012
Loss and total comprehensive expenses for the year	–	–	(1,135)	(1,135)
At 31 December 2015 and 1 January 2016	449,474	–	(42,630)	406,844
Issue of new shares				
Profit and total comprehensive income for the year	1,976,929	64,051	93,955	2,134,935
At 31 December 2016	2,426,403	64,051	51,325	2,541,779

47. EVENT AFTER REPORTING PERIOD

Shareholding structure change

On 27 January 2017, the Board of the Company proposed that each of the existing issued and unissued shares of HK$0.10 each in the share capital of the Company to be subdivided into five shares of HK$0.02 each. The Share Subdivision has become effective on 28 February 2017.

Formation and subscription of a trust

On 17 February 2017, PAM (Phillip Asset Management Limited, an unlisted public company incorporated in Australia and an Independent Third Party) as trustee and CFCG Australia as initial manager entered into the Trust Deed in relation to the formation of a trust ("**Trust**"). The Trust is expected to be issued not less than 212,000,000 units and the subscription price of each Unit is AUD1.00. It is intended that the total capital contribution of CFCG Australia will be applied by the Trust to subscribe for the shares of G8 Education Limited, a company listed on the Australian Securities Exchange.

Termination of the trust and formation and subscription of the new trust

The Trust was subsequently terminated due to commercial considerations. On 23 February 2017, Investorlink as trustee and CFCG Australia as initial manager entered into a new trust deed in relation to the formation of a trust ("**New Trust**"). The New Trust will be issued not less than 212,000,000 units at subscription price of AUD1.00 per unit. Upon completion of such subscription, the New Trust will become a named holder of the shares of G8 Education Limited.

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:

"2016 Financial Year"	the financial year ended 31 December 2016
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CEO" or "Chief Executive Officer"	chief executive officer of the Company
"Chairman"	chairman of the Board
"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
"Company" or "CFCG"	China First Capital Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange
"Company Secretary"	company secretary of the Company
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EGM"	the extraordinary general meeting of the Company
"Group"	the Company and its subsidiaries
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK Chuang Yue"	Hongkong Chuang Yue Co., Limited, a company incorporated in Hong Kong with limited liability, is a substantial Shareholder and is indirectly wholly-owned by Mr. Tang Mingyang, an executive Director
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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 Directors

"K-12 Education"	a collective term for primary education, namely education from kindergarten through twelfth grade, including kindergarten, elementary school, middle school and high school
"Listing Date"	23 November 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	(i) the ordinary share(s) of HK$0.10 each in the issued and unissued share capital of the Company prior to the Share Subdivision taking effect, or (ii) the subdivided ordinary share(s) of HK$0.02 each in the issued and unissued share capital of the Company with effect from 28 February 2017, as the case may be
"Share Subdivision"	the subdivision of each of the issued and unissued shares of HK$0.10 each in the share capital of the Company into five shares of HK$0.02 each with effect from 28 February 2017
"Shareholder(s)"	the holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted by the Company pursuant to the written resolutions of the Shareholders passed on 19 October 2011
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wealth Max"	Wealth Max Holdings Limited, a company incorporated in the BVI with limited liability, is a substantial Shareholder and is wholly-owned by Mr. Wilson Sea (formerly known as Mr. Xi Chunying), the Chairman and an executive Director
"Xishan Schools"	collectively, the 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)
"%"	per cent

* *For identification purpose only*

首控集团
CHINA FIRST CAPITAL GROUP LIMITED

中國首控集團有限公司
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