CFCG

中國首控集團有限公司

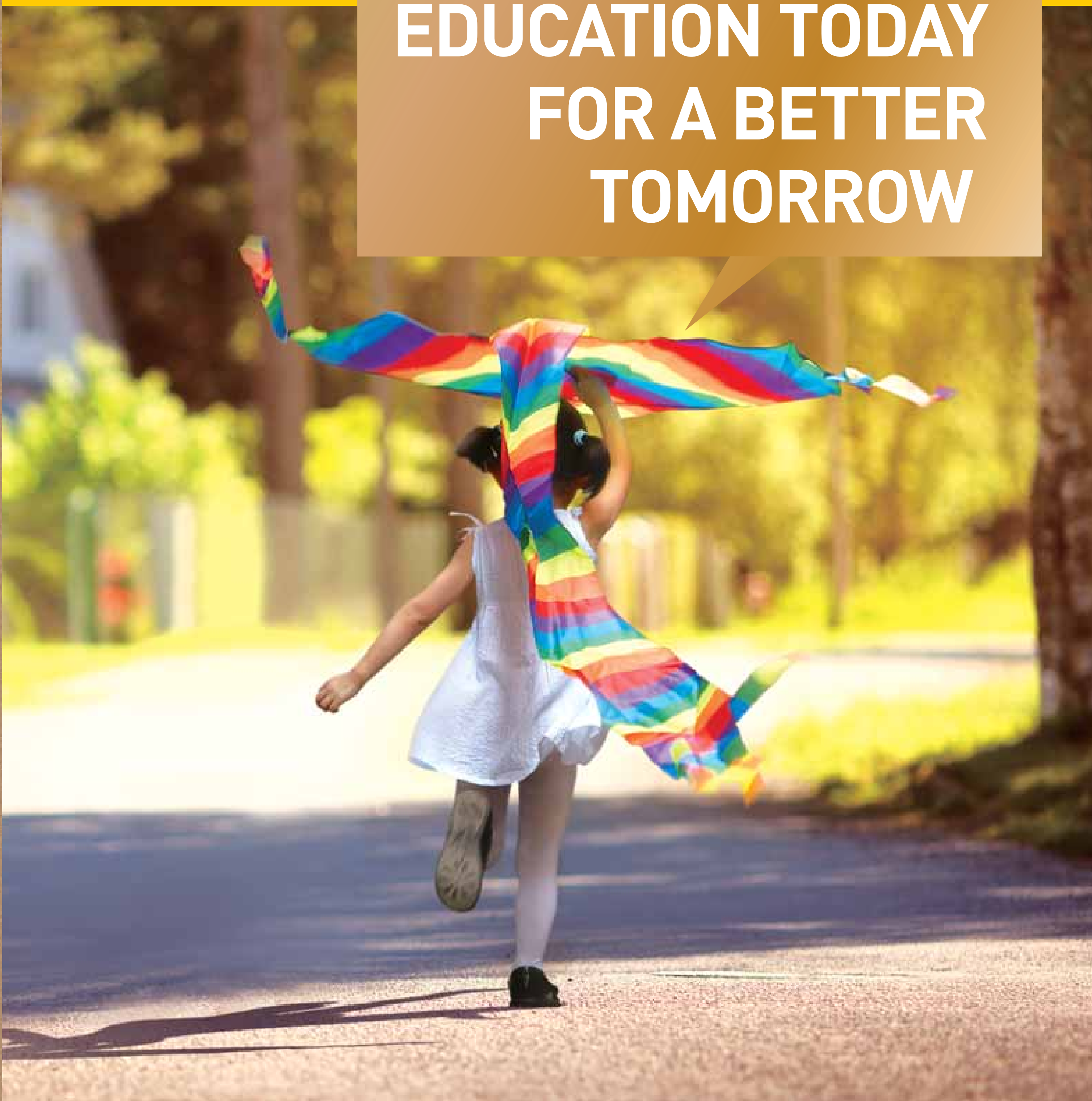
China First Capital Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1269

2017 Annual Report

INVESTING IN EDUCATION TODAY FOR A BETTER TOMORROW




OPENNESS COOPERATION
CO-CREATION WIN-WIN

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wilson SEA *(Chairman)*
Mr. TANG Mingyang
Mr. ZHAO Zhijun *(Co-Chief Executive Officer)*#
Ms. LI Dan
Dr. ZHU Huanqiang+ *(Co-Chief Executive Officer)*#

Non-Executive Director

Mr. LI Hua

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Dr. Wilson SEA *(Chairman)*
Mr. TANG Mingyang
Mr. ZHAO Zhijun
Dr. ZHU Huanqiang+
Dr. LI Zhiqiang
Mr. CHEN Gang

RISK MANAGEMENT COMMITTEE

Dr. Wilson SEA *(Chairman)*
Dr. ZHU Huanqiang+
Mr. LI Hua
Mr. CHU Kin Wang, Peleus

COMPANY SECRETARY

Mr. HUNG Man Yuk, Dicson

AUTHORISED REPRESENTATIVES

Mr. HUNG Man Yuk, Dicson
Dr. ZHU Huanqiang+

HONG KONG LEGAL ADVISER

Loeb & Loeb LLP

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 26 July 2017
+ with effect from 1 February 2018

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

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586, 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
26.2%

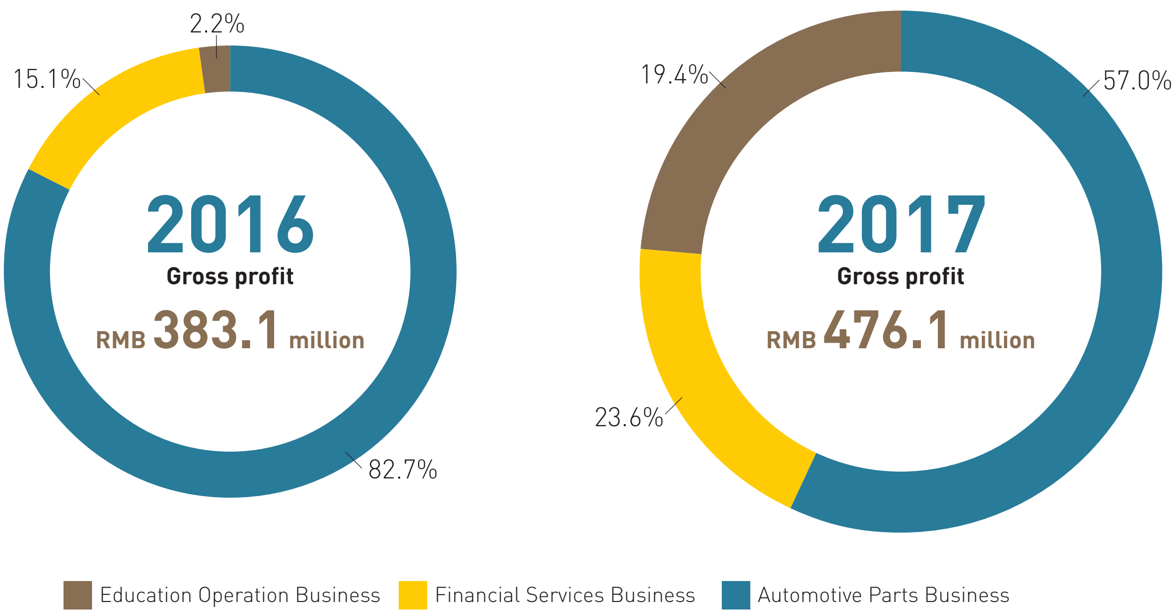
Net asset value per share
4.8%

Equity attributable to owners of the Company
12.3%

Revenue
26.5%

Gross profit
24.3%

BUSINESS HIGHLIGHTS — FINANCIAL PERFORMANCE (Continued)



BUSINESS HIGHLIGHTS — MAJOR EVENTS

2017

FEB

- FC Securities served as a joint bookrunner and a joint lead manager for the IPO of China Yuhua Education Corporation Limited (6169.HK)

FEB

altschool

- CFCG subscribed for preferred shares of AltSchool, an innovative school in the United States, at US$10 million

FEB

G8 Education ltd

- CFCG invested in G8 Education Limited (ASX stock code: GEM) through First Capital Australia Education Master Fund. As at 31 December 2017, the fund held approximately 16 million shares in G8 Education Limited, representing approximately 3.57% of its total issued shares as at the same date

BUSINESS HIGHLIGHTS — MAJOR EVENTS (Continued)

MAR

- FC Securities served as a joint bookrunner and a joint lead manager for the IPO of Luzhou Xinglu Water (Group) Co., Ltd. (2281.HK)

- FC Securities served as a co-lead manager for the IPO of Minsheng Education Group Company Limited (1569.HK)

SINGAPORE RAFFLES MUSIC COLLEGE

- CFCG Singapore acquired 40% equity interest in Singapore Raffles Music College

APR

- FC Securities served as a joint bookrunner and a joint lead manager for the IPO of China New Higher Education Group Limited (2001.HK)

MAY

- Yunnan First Capital Education Management Company Limited signed an agreement with Yunnan Arts University in connection with the co-sponsoring of Wenhua College of Yunnan Arts University to groom application-oriented talent in art

- CFCG was invited to participate and a representative was sent to deliver a keynote speech at the 2017 ASU-GSV Education Technology Summit

BUSINESS HIGHLIGHTS — MAJOR EVENTS (Continued)

JUL

STIRLING COLEMAN 施霖高诚

- CFCG Singapore acquired 100% equity interest in Stirling Coleman Capital Limited

SEP

金路集团 JINLU GROUP

- CFCG further acquired shares in Sichuan Jinlu Group Co., Ltd. (000510.SZ). As at 31 December 2017, CFCG held approximately 10.0% of the total issued shares of Jinlu Group as at the same date

OCT

- FC Fund signed an agreement with Jinlu Group to jointly invest in the establishment of Jinluyuda Education Management Company Limited and conduct businesses such as educational consultation and management services

NOV

- CFCG Singapore and MindChamps PreSchool Limited (CNE.SI) entered into a cornerstone subscription agreement, pursuant to which CFCG Singapore agreed to subscribe for 4.99% of the enlarged number of shares of MindChamps PreSchool Limited in issue as at the date of listing of MindChamps PreSchool Limited's shares

BUSINESS HIGHLIGHTS — MAJOR EVENTS (Continued)

DEC

華融金控
HUARONG FINANCIAL

- CFCG issued convertible bonds in the aggregate amount of HK$800 million to Champion Sense Global Limited, a wholly-owned subsidiary of Huarong International Financial Holdings Limited (993.HK)

DEC

中原银行
ZHONGYUAN BANK

- CFCG issued notes in the aggregate amount of HK$600 million to Zhongyuan Bank Co., Ltd. (1216.HK)

DEC

- As at 31 December 2017, CFCG and a fund under its management, in aggregate, held approximately 408 million shares of Virscend Education Company Limited (1565.HK), representing approximately 13.2% of its total issued shares as at the same date

2017

BUSINESS HIGHLIGHTS — AWARDS

2016 TOP 100 HONG KONG LISTED COMPANIES - OUTSTANDING EDUCATION INVESTMENT AWARD

Date: 18 April 2017

Organiser: QQ.com and Finet.hk

Description:

The unbiased selection panel of the "Top 100 Hong Kong Listed Companies", in collaboration with experienced consultants, performed in-depth and professional analysis based on the principle of "professionalism, objectivity, fairness and accuracy" to select the top 100 public companies traded on the Main Board of the Stock Exchange and distinctive listed corporations with steady development, with the aim of drawing up the most authoritative and trustworthy ranking list of Hong Kong public companies.

2016 VISION AWARDS
SILVER AWARD: CUSTOMER SERVICE – OTHER (EDUCATION)
BRONZE AWARD: FINANCE – CAPITAL MARKET

Date: 20 July 2017

Organiser: League of American Communications Professionals LLC ("**LACP**")

Description:

Organised by LACP and launched in 2001, the LACP Vision Awards is an internationally renowned annual report contest which aims to promote discussions on best practices in the industry as well as showcase with excellently produced annual reports and enterprises with exemplary communication capability. The judging panel assessed the reports all-round scoring them on eight areas, namely first impression, cover design, letter to shareholders, content presentation, financial statements, creativity, clarity of and convenience of access to information.

BUSINESS HIGHLIGHTS — AWARDS (Continued)

THE 31ST ARC AWARDS
GOLD AWARD: NON-TRADITIONAL ANNUAL REPORT (EDUCATION SERVICES)
SILVER AWARD: INTERIOR DESIGN (FINANCIAL SERVICES – GENERAL)
BRONZE AWARD: COVER PHOTO/DESIGN (FINANCIAL SERVICES – GENERAL)
HONOURS: INTERIOR DESIGN (EDUCATION SERVICES)

Date: 11 September 2017

Organiser: MerComm, Inc

Description:

With its history dating back 31 years, the ARC Awards organized by MerComm, Inc, an independent award organization in the United States, is the largest annual report competition worldwide. It attracts the participation of enterprises, small companies, government agencies, and non-profit organizations as well as organizations and individuals that engaged in the production of annual report.

THE LISTED ENTERPRISE EXCELLENCE AWARDS 2017

Date: 21 November 2017

Organiser: Capital Weekly

Description:

Organized by Capital Weekly, "The Listed Enterprise Excellence Awards" aims to honor and recognize listed enterprises for achieving rapid growth, outstanding business performance, and effective corporate governance and strategies, as well as companies efforts to promote corporate activities in the past year. The judging panel comprises the editorial team of Capital Weekly and leaders from the political and business sectors, while the judging criteria include enterprises' results and total assets, marketing strategies, business concepts and business growth.

BUSINESS HIGHLIGHTS — CSR EVENTS

FC INTERNATIONAL HOLDINGS CHARITY WALK FOR EDUCATION AND ALLEVIATING POVERTY

In April 2017, the FC International Holdings Charity Walk for Education and Alleviating Poverty team went to Hunan Province and gave material support as well as love and care to children in rural areas and left-behind children.

FC FUND AND BEIJING PRIVATE EDUCATION ASSOCIATION CO-HOSTED 2017 FORUM ON CHINA PRIVATE EDUCATION INVESTMENT AND FINANCING

FC Fund and Beijing Private Education Association co-hosted 2017 Forum on China Private Education Investment and Financing, Mr. Hao Xiaohui, co-president of CFCG delivered a wonderful speech on the theme of "Investment Strategy of Education Ecology".

FC FUND CO-HOSTED THE SEMINAR ON THE IMPLEMENTATION OF THE "PRIVATE EDUCATION PROMOTION LAW" CUM FORUM ON PRIVATE EDUCATION INVESTMENT AND FINANCING OF THE 9TH CHINA PRIVATE EDUCATOR CONGRESS

FC Fund co-hosted the seminar on the implementation of the "Private Education Promotion Law" cum Forum on Private Education Investment and Financing of the 9th China Private Educator Congress, Mr. Hao Xiaohui, co-president of CFCG, made a wonderful speech on the theme of "Facilitation of the Speedy Development of Private Education by Investment Strategies of Education Ecology".

CFCG EXCLUSIVELY SPONSORED "CFCG 2018 CHENGDU NEW YEAR CONCERT"

Exclusively sponsored by CFCG, "CFCG 2018 Chengdu New Year Concert" is one of the most important launching event of a series of promotional events in making Chengdu "Music Capital".

BUSINESS HIGHLIGHTS — CSR EVENTS (Continued)

CFCG SPONSORED LONDON COLLEGE OF MUSIC 130 YEARS ANNIVERSARY CONCERT CUM GRADUATION CEREMONY

CFCG sponsored the London College of Music 130 Years Anniversary Concert Cum Graduation Ceremony. Founded in 1887, London College of Music (now School of Music at University of West London) is one of the most historical music schools in Britain, nurturing generations of elite musicians.

CFCG SPONSORED THE 10TH ORIENTALE CONCENTUS INTERNATIONAL CHORAL FESTIVAL

CFCG sponsored the 10th Orientale Concentus International Choral Festival hosted by Ace 99 Cultural Pte Ltd. The event attracted the participation of more than 1,700 people of about 75 groups from around 15 countries. The participants' ages ranged from 8 to over 50 and their singing at the unprecedented event was impressive.

CFCG EXCLUSIVELY SPONSORED THE FIRST ASIA DANCE ARTS FESTIVAL

CFCG exclusively sponsored the first Asia Dance Arts Festival which was successfully held at University Cultural Centre Theatre of National University of Singapore. The festival is hosted by the Organizing Committee of Asia Dance Arts Festival and International Society Promoting Cultural Exchange of Music and Dance, and co-organized by China Hip-Hop Union Committee, with honor support from Embassy of PRC in Singapore.

CFCG SPONSORED NATIONAL MUSIC COMPETITION OF THE 2ND SINGAPORE RAFFLES CULTURAL AND ARTS FESTIVAL

CFCG sponsored National Music Competition of the 2nd Singapore Raffles Cultural and Arts Festival hosted by Singapore Raffles Music College. The event attracted master players of ancient musical instruments from around the world.

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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,865,247**	1,474,059	1,087,737	830,704	634,171
Cost of sales/services	**(1,389,195)**	(1,090,991)	(862,401)	(656,811)	(501,659)
Gross profit	**476,052**	383,068	225,336	173,893	132,512
Other income and expenses, other gains and losses	**168,234**	10,909	(11,340)	(16,990)	31,168
Fair value changes of financial assets measured at fair value through profit or loss	**(204,884)**	357,297	–	–	–
Selling and distribution expenses	**(128,600)**	(97,327)	(82,575)	(46,745)	(37,678)
Research and development expenditure	**(46,180)**	(43,399)	(36,571)	(25,135)	(19,284)
Administrative expenses	**(442,566)**	(286,945)	(83,209)	(48,388)	(44,314)
Finance costs	**(128,428)**	(43,371)	(35,961)	(31,629)	(13,654)
Share of results in associates	**1,536**	–	–	–	–
Share of results in joint ventures	**(37,801)**	(4,516)	–	–	–
(Loss) profit before tax	**(342,637)**	275,716	(24,320)	5,006	48,750
Taxation	**42,766**	(87,440)	(3,390)	(2,449)	(9,455)
(Loss) profit for the year	**(299,871)**	188,276	(27,710)	2,557	39,295
Other comprehensive (expense) income for the year, net of income tax	**(176,570)**	5,365	1,198	(44)	(265)
Total comprehensive (expense) income for the year	**(476,441)**	193,641	(26,512)	2,513	39,030
(Loss) profit for the year attributable to:					
Owners of the Company	**(302,169)**	178,664	(22,631)	2,557	39,295
Non-controlling interests	**2,298**	9,612	(5,079)	–	–
	(299,871)	188,276	(27,710)	2,557	39,295

FINANCIAL SUMMARY (Continued)

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(478,487)**	184,850	(21,433)	2,513	39,030
Non-controlling interests	**2,046**	8,791	(5,079)	–	–
	(476,441)	193,641	(26,512)	2,513	39,030
(Loss) earnings per Share – Basic* (RMB)	**(0.07)**	0.05	(0.01)	0.002	0.02
(Loss) earnings per Share – Diluted (RMB)	**(0.07)**	N/A	N/A	N/A	N/A

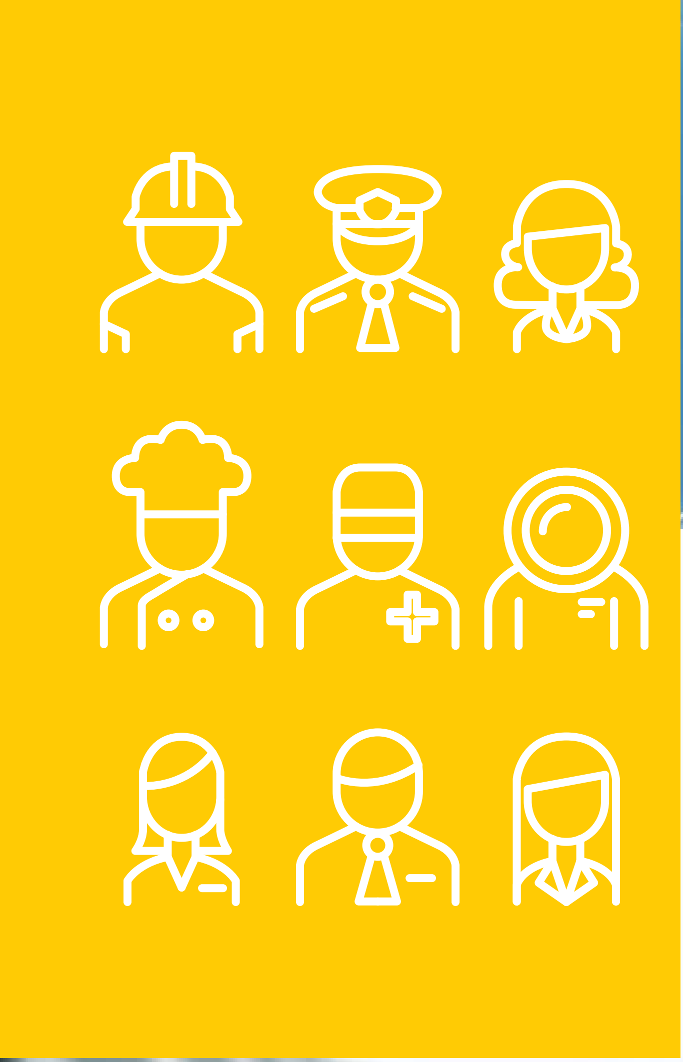
* The weighted average number of ordinary Shares for the purpose of calculating the basic (loss) earnings per Share for the years prior to 2017 have been adjusted with a view to the Company's share subdivision which became effective on 28 February 2017.

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Non-current assets	**3,752,666**	2,551,273	707,996	677,403	683,817
Current assets	**5,603,953**	4,863,403	1,169,575	666,980	501,588
Total assets	**9,356,619**	7,414,676	1,877,571	1,344,383	1,185,405
Current liabilities	**(3,282,440)**	(3,393,565)	(1,046,259)	(797,127)	(655,080)
Total assets less current liabilities	**6,074,179**	4,021,111	831,312	547,256	530,325
Non-current liabilities	**(2,612,393)**	(911,279)	(77,276)	(157,882)	(143,464)
Owners' equity	**3,461,786**	3,109,832	754,036	389,374	386,861
Non-controlling interests	**291,891**	287,767	125,341	–	–
Equity attributable to owners of the Company	**3,169,895**	2,822,065	628,695	389,374	386,861

CHAIRMAN'S STATEMENT

With education investment as cornerstone and financial services and education operation as support, the combination of the three key operations has achieved a balanced development

ACHIEVE OUR DREAMS



CHAIRMAN'S STATEMENT

"EDUCATION IS THE MOST POWERFUL WEAPON WHICH YOU CAN USE TO CHANGE THE WORLD."

NELSON MANDELA

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2017.

With tremendous support from our Shareholders and our staff, the Group has remained firm and determined in pushing for transformation of its business, with education investment as cornerstone and financial services and education operation as support to the Group. The combination of the three key operations has enabled the Group to achieve a balanced development. The Group is aspired to build a platform for education operation, investment and financing in the education sector, powered by "Education Operation and Financial Services" dual-pronged strategy.

In 2017, the Group endeavored to combine and integrate domestic and international quality education resources, extend its industrial chain by cooperating with educational projects and institutions, and keep improving its financial services system to develop diverse financial services with distinctive features. The Group's business development strategies continued to enjoy wide recognition. The Company was selected as a constituent of the MSCI China Small Cap Index Series in June 2016, the FTSE Asia Pacific ex Japan Index Series in March 2017 and the Hang Seng Composite Index Series and Hang Seng Stock Connect Hong Kong Index Series in March 2018, testifying to its strength as a business enterprise.

The new "Private Education Promotion Law" was implemented in 2017 and as a result securitization of educational assets speeded up. Also on the education front, "Development of Education Enterprises is a Priority" stated in the report of the 19th CPC National Congress, putting education in the spotlight again. Aiming to develop into "Double First-Class" universities, Chinese tertiary education establishments have started their campaign to become top higher learning institutions worthy of international respect. Furthermore, China has been

CHAIRMAN'S STATEMENT (Continued)

encouraging integration of education with real industries and promoting cooperation between universities and enterprises, calling for the nurturing of talent capable of innovation and having an international perspective.

Alive to the new situations and trends in education industries, local and overseas, the Group has been devoted to exploring, cultivating, investing in and operating quality education assets. More specifically, it focused on investing in benchmark assets and bolt-on assets in the segments of childhood education, K-12 education, vocational (training) education, and media and arts education. In addition, the Group also put forth its effort to develop education management service, optimize allocation of education assets, promote project synergy and integration, explore the potential of its education assets and enhance their intrinsic value to establish the core competitiveness of the Group.

In 2017, applying fully the Group's advantages of earning various financial licenses and its well-established financial services system to actively develop an optimized and comprehensive range of businesses, the Group's financial services business went on the fast growth track. In addition to dealing in securities and providing margin service to individual customers, FC Securities engages in the underwriting and placing of shares for listing applicants and listed companies. For instance, we provided share underwriting and placing for the listing of YuHua Education (stock code: 6169), China New Higher Education (stock code: 2001), Mingsheng Education (stock code: 1569), Zhongyuan Bank (stock code: 1216) and Xinglu Water (stock code: 2281). Also under the financial services arm, FC Asset Management successfully launched the First Capital Education Selected Fund, developed the discretionary wealth management business

CHAIRMAN'S STATEMENT (Continued)

for high-end clients and actively opened up domestic and international investor networks and sales channels. And, FC International Finance served as the financial advisor and finance arranger for a number of transactions and companies, which enable it to expand its business scope and provide a full range of services to clients.

The "Belt and Road" initiative of China has opened a window of opportunities and has become a new platform for international cooperation. To support and capitalize in the "Belt and Road" initiative, the Group completed the acquisition of 100% equity interest in Stirling Coleman, a Singapore-based corporate finance advisory firm and 40% equity interest in Singapore Raffles Music College during the year, to aid its entry into the South Asian market.

As for the automotive parts business, the Group continued to draw on its existing brand and technical strengths during the year, enabling it to achieve better product development and quality control, as well as lean production. While consolidating the existing markets, the Group also explored untapped market potential in depth to open up new markets.

Looking ahead, we see both opportunities and challenges in 2018. To seize those opportunities and overcome challenges, the Group will continue to put to work the concept of "openness, cooperation, co-creation and win-win" in developing its business, to maintain its strategic focuses, and grow and consolidate its core competitiveness.

CHAIRMAN'S STATEMENT (Continued)

Education gives a nation the foundation to rejuvenate and rise to greatness. It passes on the heritage from the past generations to those in the future, and relates knowledge that changes lives, empowering people to realize their dreams. These are the beliefs underlying CFCG's respect for education and dedication to investing in education today for a better tomorrow. The Group wants to advance shoulder-to-shoulder with its partners to make dreams come true.

Wilson SEA
Chairman and Executive Director
28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Grasps market opportunities, extends presence across the global education market, focuses on segments that are fit for the predominant market trends of the education industry and unique characteristics of Chinese education demand with unique advantages


1+2=3
ABC
SCHOOL
ABC

A BRIGHTER FUTURE

MANAGEMENT DISCUSSION AND ANALYSIS

"AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST"

BENJAMIN FRANKLIN

INTRODUCTION

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

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

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

BUSINESS REVIEW

Education Operation Business

According to the research by Parthenon-EY, a world-renowned educational consulting institution, education is the world's eighth largest economic industry, and the private education market is worth trillions of US$. In addition, China is the world's second largest consumer of private education, being second only to the United States, and the potential market for main private education segments in the PRC is worth US$28.0 billion with an annual growth rate of more than 10%. The increase in per capita disposable income of urban households in China, the enforcement of the "Universal Two-child Policy" and the increasing awareness among parents of the importance of quality education for their children have all contributed to the continuous rise in family education expenditure. In addition, the amendment of the laws on

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

private education in China to legalize establishment of for-profit private schools set the foundation to achieve long-term sustainable development for the private education sector. With techniques, market trends and government policies in favor of the private education sector, more players are entering into the capital market as reflected by the increase in listings of private education enterprises in Hong Kong or the United States. China's education sector is stepping into a golden era and will see substantial growth in both the overall scale of the industry and level of market activity. As one of the few high-yield and stable industries which are not affected by the economic cycle, the education industry has seen a constant inflow of private capital helping it develop rapidly.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

During the year under review, the Group acquired additional shares of Virscend Education Company Limited ("**Virscend Education**") (a company listed on the Main Board of the Stock Exchange, stock code: 1565). As at 31 December 2017, the Company and a fund under the Group's management, in aggregate, held approximately 408 million shares of Virscend Education, representing approximately 13.20% of its total issued shares as at the same date. Virscend Education is the largest provider of K-12 private education services in Southwest China. The Group also invested in AltSchool, an innovative school in the US, which is committed to creating a new education model and realizing personalized education by integrating technical platforms into the teaching regime.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

To explore collaborative operation and effective management of various educational assets and build an education management service platform thereby attain a diversified industrial profile, FC Fund, a subsidiary of the Company, signed an agreement with Jinlu Group in October 2017 to jointly invest in the establishment of Jinluyuda Education Management Company Limited* (金路育達教育管理有限責任公司) and conduct businesses such as educational consultation and management services. Jinlu Group is listed on the Shenzhen Stock Exchange (stock code: 000510). As at 31 December 2017, the Group held approximately 10.00% of the total issued shares of Jinlu Group.

Financial Services Business

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

FC Securities was granted the license for type 4 (advising on securities) regulated activity under the SFO in July 2017. As at the date of this annual report, FC Securities has been granted the licenses for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. In addition to the dealing in securities and margin business provided to individual customers, FC Securities is engaged in the underwriting and placing of shares for listing applicants and listed companies. During the year under review, FC Securities was a joint bookrunner and joint lead manager for the listing of China YuHua Education Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6169), Luzhou Xinglu Water (Group) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 2281), China New Higher Education Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2001) and Zhongyuan Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1216), and also a co-lead manager for the listing of Minsheng Education Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1569). FC Securities was ranked the 21st on Bloomberg's list of securities dealers by IPO underwriting business in Hong Kong in terms of amount of IPO proceeds raised in 2017, with about 1.40% market share, and it was ranked the 9th in terms of the number of IPO underwriting in Hong Kong for the PRC companies in 2017.

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

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

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

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

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

Automotive Parts Business

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

OUTLOOK

Education Operation Business

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

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

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

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

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

Financial Services Business

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Automotive Parts Business

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales/services

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

Gross profit

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

Gross profit margin

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

Other gains and losses

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

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

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

Selling and distribution expenses

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

Research and development expenditure

For the year ended 31 December 2017, the Group's research and development expenditure increased by 6.5% to RMB46.2 million from RMB43.4 million in 2016. Such increase was primarily due to (i) greater efforts on the research of applying the shock absorber-related technology to different brands and models of automobiles; and (ii) additional development costs of shock absorbers for newly-developed automobiles.

Administrative expenses

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

Finance costs

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

Taxation

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(Loss) profit for the year

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

Basic (loss) earnings per Share

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

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

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

Financial position and borrowings

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

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

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

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

Working capital

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

The management of the Group regularly reviews and monitors the level of trade receivables. As at 31 December 2017, the Group's trade receivables amounted to RMB532.7 million, representing a decrease of 2.8% from RMB547.9 million as at 31 December 2016. For the year ended 31 December 2017, the average turnover days of trade receivables were 105.7 days (2016: 112.6 days). The average turnover days of trade receivables were calculated as the average of opening and closing balances of trade receivables for the year divided by revenue for the year and multiplied by 365 days.

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

Capital expenditures and capital commitments

For the year ended 31 December 2017, the Group's capital expenditures were RMB130.7 million (2016: RMB108.8 million), which were primarily the expenses of the automotive parts business in respect of additions to production facilities and plants, machinery and equipment.

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

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

Contingent Liabilities

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

Pledge of Assets

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

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

Interest rate risk

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

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

Foreign exchange risk

The consolidated financial statements of the Group are presented in RMB. Certain bank balances and borrowings of the Group are denominated in HK$, US$, AUD and SGD. Any material volatility in the exchange rates of these currencies against RMB may affect the financial condition of the Group.

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

HUMAN RESOURCES

As at 31 December 2017, the Group had 4,018 employees (31 December 2016: 4,007 employees). For the year ended 31 December 2017, the Group's total remuneration and welfare benefits expenses amounted to RMB292.3 million (2016: RMB213.5 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience and the prevailing market condition.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the 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 2017, no share options were granted under the Share Option Scheme by the Company. In addition, as at 31 December 2017, no share options under the Share Option Scheme were outstanding.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Formation and Subscription of a Trust

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Further Acquisition of Shares in Jinlu Group

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

Deemed Disposal of Shares of Guang Da

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

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

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

SUBDIVISION OF SHARES

As disclosed in the Company's announcement dated 27 January 2017, the Board proposed that each of the issued and unissued Shares of HK$0.10 each in the share capital of the Company be subdivided into five Shares of HK$0.02 each. An ordinary resolution to approve the Share Subdivision was 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.

SIGNIFICANT INVESTMENT HELD

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

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

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

Date of announcement	Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this annual report
12 December 2016	Placing of 100,000,000 new Shares (prior to the Share Subdivision) at the placing price of HK$10.00 per placing Share[1]	Approximately HK$994 million	(i) Approximately HK$200 million shall be used for the development of financial services business, including asset management services, financial credit services, securities brokerage services and migration financial services;	(i) Approximately HK$192 million has been used for the development of financial services business, including asset management services, financial credit services, securities brokerage services and migration financial services;
			(ii) approximately HK$750 million shall be used for the development of the Group's education investment business through investment and acquisitions; and	(ii) approximately HK$759 million has been used for the development of the Group's education investment business through investment and acquisitions; and
			(iii) approximately HK$44 million shall be used as general working capital of the Group.	(iii) approximately HK$43 million has been used as general working capital of the Group.
12 June 2017	Issue of 296,250,000 new Shares at the issue price of HK$3.10 per consideration Share[2]	N/A	Settling the consideration for the acquisition of 180,438,000 shares of Virscend Education as disclosed in the Company's announcement dated 31 May 2017.	296,250,000 new Shares have been issued for settling the consideration for the acquisition of 180,438,000 shares of Virscend Education as disclosed in the Company's announcement dated 31 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Date of announcement	Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this annual report
14 December 2017	Issue of HK$800,000,000 convertible bonds at the initial conversion price of HK$3.27 per conversion Share[3]	Approximately HK$751 million	The development of the Group's education operation business and financial services business, including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial services licences, and expansion of the scope and scale of service of the Group's existing financial services business.	Approximately HK$680 million has been used for the development of the Group's education operation business and financial services business, including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial services licences, and expansion of the scope and scale of service of the Group's existing financial services business.

Notes:

1. For the development of the Group's financial services business and education investment business and general working capital needs, the Company allotted and issued in aggregate 100,000,000 new Shares to not less than six placees who and whose ultimate beneficial owner(s) (where applicable) are Independent Third Parties. The placees were individual, corporate, institutional or other investors procured by the placing agent to subscribe for the placing Shares. The aggregate nominal value of the placing Shares was HK$10,000,000. The placing price of HK$10.00 per placing Share represented a discount of approximately 6.54% to the closing price of HK$10.70 per Share as quoted on the Stock Exchange on the date of the placing agreement dated 12 December 2016. The net placing price per placing Share was approximately HK$9.94 per Share.

2. For the acquisitions of shares in Virscend Education, the Company allotted and issued (i) 150,000,000 new Shares to Purple Fame Global Limited; and (ii) 146,250,000 new Shares to Earn Wealth International Holdings Limited. The allottees and their respective ultimate beneficial owner(s) (where applicable) are Independent Third Parties. The aggregate nominal value of the consideration Shares was HK$5,925,000. The issue price of HK$3.10 per consideration Share represented a premium of approximately 7.27% over the closing price of HK$2.89 per Share as quoted on the Stock Exchange on the date of the sale and purchase agreements dated 31 May 2017. The net issue price per consideration Share was approximately HK$3.10 per Share.

3. For the development of the Group's education operation business and financial services business, the Company issued convertible bonds in the principal amount of HK$800,000,000 to Champion Sense Global Limited, a wholly-owned subsidiary of Huarong International Financial Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 993). The convertible bonds will become mature on the second anniversary of the issue date of the convertible bonds and shall bear interest on the outstanding principal amount of the convertible bonds at the rate of (a) 7% per annum for the period from and including the issue date up to and excluding the first anniversary of the issue date; and (b) 8% per annum for the period from the first anniversary of the issue date up to and including the maturity date of the convertible bonds. The initial conversion price of HK$3.27 per conversion Share represented a discount of approximately 7.10% to the closing price of HK$3.52 per Share as quoted on the Stock Exchange on the date of the subscription agreement dated 4 December 2017. Upon full exercise of the conversion rights, the convertible bonds can be converted into 244,648,318 conversion Shares.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wilson Sea (formerly known as Xi Chunying)

aged 54, was appointed as the Chairman and a non-executive Director on 27 April 2011 and was re-designated as an executive Director on 1 January 2015. He is responsible for the general strategic planning, business planning and co-ordination of the Group, as well as for supervision of the enforcement and execution of the management's strategies. He is a director of a number of subsidiaries of the Company.

Dr. Sea is the director and shareholder of Wealth Max which is a substantial Shareholder. As at the date of this annual report, Dr. Sea is deemed to be interested in 589,520,000 Shares, representing approximately 12.10% of the total issued Shares. Dr. Sea is the brother-in-law of Dr. Wang Hui, the chief financial officer of the Company. He is also the uncle of Mr. He Yaobin, the deputy chief executive officer of the Company.

From 1997 to 2004, Dr. Sea worked in Minsheng Securities Co., Ltd. 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 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.

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

Tang Mingyang

aged 50, was appointed as an executive Director on 28 March 2016 with effect from 1 April 2016.

Mr. Tang is the director of Chuang Yue which is a substantial Shareholder. As at the date of this annual report, Mr. Tang is deemed to be interested in 804,360,000 Shares, representing approximately 16.51% of the total issued Shares.

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 in 2016. Currently he is the honourable chairman of Chengdu Dazhou Commercial Chamber* (成都達州商會) and the honourable founding chairman of Sichuan & Chongqing (H.K.) Association.

Mr. Tang graduated from Sichuan Daxian Finance and Trade School* (四川達縣財經貿易學校) in 1986.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Zhao Zhijun

aged 43, was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011 and was re-designated as a Co-CEO and an executive Director on 26 July 2017. He is also a director of a number of subsidiaries of the Company. As a Co-CEO, Mr. Zhao is principally responsible for the management and development of the automotive parts business of the Group.

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

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

Li Dan

aged 45, 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 1991 to 2014 and served various management roles at branch offices and provincial head offices. She joined Chengdu Zhongyingchuangyue Enterprise Group Limited* (成都中盈創越實業集團有限公司) in 2015 and served as the 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.

Zhu Huanqiang

aged 48, was appointed as a deputy chief executive officer of the Company on 11 October 2016 and a Co-CEO on 26 July 2017. He has been appointed as a Co-CEO and an executive Director on 30 January 2018 with effect from 1 February 2018. Dr. Zhu is also a director of a number of subsidiaries of the company. As a Co-CEO, he is principally responsible for the management and development of the education operation business and financial services business of the Group.

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

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

NON-EXECUTIVE DIRECTOR

Li Hua

aged 36, was appointed as the non-executive Director on 28 March 2016 with effect from 1 April 2016.

Mr. Li worked at Sichuan Branch of the Bank of China Limited from 2003 to 2015. Since 2015, he has been the chairman of Sichuan Tongweisheng 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).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Kin Wang, Peleus

aged 53, 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) Suncity Group Holdings Limited (formerly known as Sun Century Group 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 (formerly known as Bright Prosperous 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) SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012; (f) Telecom Service One Holdings Limited (transferred listing from the Growth Enterprise Market (stock code: 8145) to the Main Board of the Stock Exchange (stock code: 3997)) from April 2013 to December 2017; (g) National Agricultural Holdings Limited (formerly known as Qianlong Technology International Holdings Limited) (stock code: 1236) from June 2015 to September 2015; (h) Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057) since September 2015; (i) Mingfa Group (International) Company Limited (stock code: 846) since November 2016; (j) PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (stock code: 372) from March 2017 to September 2017; and (k) China Huishan Dairy Holdings Company Limited (stock code: 6863) from June 2017 to December 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Li Zhiqiang

aged 55, was appointed as an INED on 19 October 2011.

Dr. Li has been an executive director or a senior management personnel of the following companies listed on the Main Board or the Growth Enterprise Market of the Stock Exchange: (a) Seamless Green China (Holdings) Limited (stock code: 8150), executive director from June 2016 to May 2017; and (b) China Shanshui Cement Group Limited (stock code: 691), executive director and deputy chairman from November 2017 to March 2018.

Dr. Li has been the legal advisor of the General Office of the Central Military Commission of the PRC and an executive editor-incharge of China Military Law Magazine* (《中國軍法》) since 1994, a responsible person (in charge) of letters and visits reporting centre of China Insurance Regulatory Commission since 2003 and an executive director and the president of Shougang Holdings Limited* (首鋼控股有限公司) since 2004. He was a director of Sino Life Insurance Co., Ltd. in 2006 and vice chairman in 2008, and chairman of China Int'l Culture Media Limited 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) and a director of Tonghua Steel Holdings Co. Ltd.* (通化鋼鐵集團股份有限公司) in 2010.

Dr. 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 Best Entrepreneur of Beijing Municipal (北京市優秀企業家) in 2012. Dr. 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.

Dr. 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.

Chen Gang

aged 48, was appointed as an INED on 29 August 2016 with effect from 1 September 2016.

Mr. Chen worked at Dazhou Commercial Bank Limited* (達州市商業銀行股份有限公司) from 1996 to 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 2015 and served as the chairman of its board of directors and the 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

aged 42, 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 companies listed on the Stock Exchange, including qualified accountant, chief financial officer and company secretary of Zhongtian International Limited (stock code: 2379) from 2007 to 2008, company secretary of Come Sure Group (Holdings) Limited (stock code: 794) from 2010 and China Tian Lun Gas Holdings Limited (stock code: 1600) from 2017 respectively.

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

Wang Hui

aged 39, was appointed as the chief financial officer of the Company on 31 December 2015. He has more than 10 years of experience in corporate finance, accounting, taxation and investment area. He is a director of a number of subsidiaries of the Company. Dr. Wang is the brother-in-law of Dr. Wilson Sea, the Chairman and an executive Director.

Prior to joining the Group, Dr. 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 Huaxinbainian 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.

Dr. Wang graduated from Shanghai University of Finance and Economics ("**SUFE**") 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 SUFE. In 2007, he further obtained a doctoral degree in management from School of Accounting of SUFE . Dr. Wang is a non-practicing member of China Association of Certified Public Accountants.

He Yaobin

aged 37, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Mr. He is in charge of some financial services business of the Group. He is a director of a number of subsidiaries of the Company. Mr. He is the nephew of Dr. Wilson Sea, the Chairman and an executive Director.

Mr. He served as a vice president of a venture capital company and a 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Sun Bo

aged 43, 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 and post-investment management 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. from December 1996 to February 2002, an investor relations vice president of Zhongyu Gas Holdings Limited (transferred listing from the Growth Enterprise Market (stock code: 8070) to the Main Board of the Stock Exchange (stock code: 3633)) from June 2004 to August 2010 and an 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.

Ms. Sun was awarded a master of business administration from Anglia Polytechnic University in the United Kingdom in 2004.

He Qingrong

aged 56, 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. He is also a director of a subsidiary of the Company.

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.

Li Minwen

aged 49, 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, Ms. Li served as a deputy general manager of the Beijing management headquarter of Shenyin & Wanguo Securities Company Limited. From October 2000 to July 2009, she served as the secretary-general and a deputy secretary-general of the Securities Association of Beijing 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.

Zong Bin

aged 41, was appointed as a deputy chief executive officer of the Company on 25 April 2017. Mr. Zong is responsible for wealth management and immigration financial services businesses of the Group as well as the daily operation and management of FC Fund. He is also a director of a subsidiary of the Company.

Mr. Zong has substantial experience in financial investment and provision of immigration financial services. He has been the chief executive officer of FC International Holdings since April 2015 and a director of FC Fund since March 2016.

Mr. Zong graduated from University of Bradford with a master of arts degree in marketing practice in 2006 and has been studying an executive master of business administration degree at City University of Hong Kong since 2016.

DIRECTORS' REPORT

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the 2017 Financial Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

SUBSIDIARIES

Details of the principal activities of the Company's principal subsidiaries as at 31 December 2017 are set out in note 47 to the consolidated financial statements of this annual report.

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.

RESULTS

The results of the Group for the 2017 Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

FINANCIAL SUMMARY

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

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the 2017 Financial Year (2016: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2017 and 2016, sales to the Group's five largest customers accounted for 64.3% and 56.0% of the total revenue of the Group, respectively, of which sales to the largest customer accounted for 32.6% and 26.7%, respectively.

For the years ended 31 December 2017 and 2016, purchases from the Group's five largest suppliers accounted for 31.9% and 28.8% of the total purchases of the Group, respectively, of which purchases from the largest supplier accounted for 7.6% and 8.2%, respectively.

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

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017, the Group had property, plant and equipment at net book value of RMB859.4 million (31 December 2016 (restated): RMB805.7 million). Details of the movements are set out in note 17 to the consolidated financial statements of this annual report.

BORROWINGS

Details of the borrowings of the Group (including bank borrowings and debentures) are set out in note 34 to the consolidated financial statements of this annual report.

For the development of the Group's business and general working capital needs, the Company issued HK$600 million notes due 2020 to Zhongyuan Bank Co., Ltd. on 18 December 2017. Each of Wealth Max and Chuang Yue entered into a share charge to charge 220,000,000 and 137,660,000 Shares, respectively, in favour of Zhongyuan Bank Co., Ltd. as security for the notes.

CAPITALIZED INTERESTS

For the 2017 Financial Year, the Group did not capitalize any interest expenses related to properties under construction development (2016: Nil).

DONATIONS

For the 2017 Financial Year, the Group made charitable and other donations totaling RMB2,238,788 (2016: RMB370,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2017 Financial Year are set out in note 39 to the consolidated financial statements of this annual report. For further information of the issue of Shares, please refer to the section headed "Management Discussion and Analysis – Equity Fund Raising Activities and Use of Proceeds" of this annual report.

EQUITY LINKED AGREEMENTS

Details of the convertible bonds of the Company for the 2017 Financial Year are set out in note 35 to the consolidated financial statements of this annual report. For further information, please refer to the section headed "Management Discussion and Analysis – Equity Fund Raising Activities and Use of Proceeds" of this annual report.

RESERVES

Details of the movements in the reserves of the Group for the 2017 Financial Year are set out in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves of the Company amounted to RMB3,315.3 million (31 December 2016: RMB2,477.7 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the 2017 Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

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

SHARE 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 date of its adoption.

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 the 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 Participant 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 date of its adoption.

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 in the Stock Exchange's daily quotation 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

The Directors for the 2017 Financial Year and up to the date of this annual report were:

Executive Directors

Dr. Wilson SEA *(Chairman)*
Mr. TANG Mingyang
Mr. ZHAO Zhijun *(Co-Chief Executive Officer)*
Ms. LI Dan
Dr. ZHU Huanqiang *(Co-Chief Executive Officer)*
Mr. YAN Haiting *(until 31 January 2018)*

Non-Executive Director

Mr. LI Hua

Independent Non-Executive Directors

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

DIRECTORS' REPORT (Continued)

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.

Dr. Zhu Huanqiang was appointed by the Board as an executive Director on 30 January 2018, with effect from 1 February 2018. As such, Dr. Zhu Huanqiang will hold office until the forthcoming AGM and, being eligible, offer himself 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, Dr. Wilson Sea, Mr. Li Hua and Mr. Chu Kin Wang, Peleus will retire, being eligible, offer themselves for re-election.

CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION

As disclosed in the Company's announcement dated 26 July 2017, (i) Mr. Zhao Zhijun, the chief executive officer of the Company as at 26 July 2017 and an executive Director, has been re-designated as a Co-CEO, but will remain as an executive Director; and (ii) Dr. Zhu Huanqiang, a deputy chief executive officer of the Company as at 26 July 2017, has been appointed as a Co-CEO, both with effect from 26 July 2017.

At the AGM held on 1 June 2017, two executive Directors, Mr. Zhao Zhijun and Mr. Yan Haiting, and an INED, Dr. Li Zhiqiang, had retired and offered themselves for re-election at the meeting according to Article 84 of the Articles of Association.

Since Ms. Li Dan, an executive Director, and Mr. Chen Gang, an INED, were appointed by the Board, they had retired and offered themselves for re-election at the AGM held on 1 June 2017 according to Article 83(3) of the Articles of Association.

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

Save as the aforementioned, there had been no other changes regarding the Directors and their information for the 2017 Financial Year which are required to be disclosed under the Listing Rules.

PROFILES OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept 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 total issued Shares**
Tang Mingyang[1]	–	804,360,000	16.84%
Wilson Sea[2] (formerly known as Xi Chunying)	–	580,520,000	12.15%

Notes:

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

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

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executives of the Company (including their respective spouse and children under 18 years of age), 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 the Company and the Stock Exchange pursuant to the Model Code.

For the 2017 Financial Year, none of the Directors or the chief executives 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 the shares, warrants or debentures (if applicable) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2017, the following persons (other than a Director or the chief executives 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

Name of Shareholders	Number of issued Shares held and nature of interest: Personal interests (beneficial owner)	Approximate percentage of total issued Shares
Chuang Yue[1]	804,360,000	16.84%
Wealth Max[2]	580,520,000	12.15%
Wang Lily[3]	580,520,000	12.15%
New Front Developments Limited[4]	461,372,000	9.66%

Notes:

1. 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 Dr. Wilson Sea as to 100%.

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

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 2017, 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 by the Company pursuant to section 336 of the SFO.

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.

TAX RELIEF AND EXEMPTION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, for the 2017 Financial Year, 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.

PERMITTED INDEMNITY PROVISION

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the 2017 Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTEREST

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

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.

CONNECTED TRANSACTION

As disclosed in the Company's announcement dated 31 October 2017, Guang Da (as issuer) and Xi Investment and Zhiyuan Investment (as subscribers) entered into a subscription agreement dated 31 October 2017, pursuant to which Guang Da conditionally agreed to issue and each of Xi Investment and Zhiyuan Investment, respectively, conditionally agreed to subscribe for 130 shares of Guang Da at the subscription price of HK$46 million in cash. As Xi Investment is wholly-owned by Dr. Wilson Sea, an executive Director, and Zhiyuan Investment is wholly-owned by Mr. Zhao Zhijun, an executive Director, both being connected persons of the Company, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. For further information, please refer to the section headed "Management Discussion and Analysis – Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies – Deemed Disposal of Shares of Guang Da" of this annual report.

The related party transactions set out in note 43 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 definitions of connected person and connected transaction under Chapter 14A of the Listing Rules are different from the definition of related party and relevant disclosure requirements under Hong Kong Accounting Standard 24, "Related Party Disclosures", and the interpretations of the 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, for the 2017 Financial Year, the Group had no connected transaction and continuing connected transaction which were not exempted under Rules 14A.31 and 14A.33 of 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 2017 Financial Year is set out in note 14 to the consolidated financial statements of this annual report.

REMUNERATION POLICY

As at 31 December 2017, the Group had 4,018 employees (31 December 2016: 4,007 employees). For the 2017 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to RMB292.3 million (2016: RMB213.5 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience, job performance and the prevailing market condition.

Pursuant to the Corporate Governance Code provision B.1.5, for the 2017 Financial Year, 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
1,000 to 1,500	1
1,500 to 2,000	1
2,000 to 2,500	2
2,500 to 3,000	3
3,000 to 3,500	1
3,500 to 4,000	2
4,000 to 4,500	0
4,500 to 5,000	0
5,000 to 5,500	3

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 employers and employees is required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

The employees of the subsidiaries of the Group in the PRC and Singapore participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their 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 2017 Financial Year, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB25.0 million (2016: RMB15.1 million). Details of the Group's retirement benefit scheme and the basis of calculation are set out in note 44 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 for the 2017 Financial Year by the Group.

CONTRACTUAL ARRANGEMENTS

A. 51% interest of Jinan Shijiyinghua Experiment School

Information about the operating subsidiaries

Jinan Shijiyinghua Experiment School ("**Yinghua School**") is a boarding school providing high-end K-12 Education, comprising kindergarten, primary school, middle school and high school, in the PRC. The interest in Yinghua School is held by Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) ("**Jinan Baofei**"). The registered shareholders of Jinan Baofei are Wuxi 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**"). Zhiye Company and FC Education, respectively, held 49% and 51% equity interest in Jinan Baofei.

For the 2017 Financial Year, the revenue of Yinghua School amounted to RMB63.7 million (from the acquisition date to 31 December 2016: RMB24.5 million). As at 31 December 2017, the total assets of Yinghua School amounted to RMB190.9 million (31 December 2016: 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 (i.e. primary school and middle school education). 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.

DIRECTORS' REPORT (Continued)

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 Yinghua School, FC Education, Zhiye Company and Jinan Baofei. Through such contractual arrangements, the Group exercises control over Yinghua School and its financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the 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 Yinghua School and to engage in the business, the Group will exercise the options under the exclusive option agreement as soon as practicable and the structured contracts shall be terminated.

Contractual arrangements in place

The contractual arrangements that were in place as at 31 December 2017 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 WOFE**"), Jinan Baofei, Zhiye Company and FC Education, pursuant to which Zhiye Company and FC Education shall pledge all of their respective equity interests in Jinan Baofei to Jinan WOFE 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 and Jinan Baofei, pursuant to which Zhiye Company and FC Education shall irrevocably authorize the Jinan WOFE 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 WOFE, Jinan Baofei, Zhiye Company and FC Education, pursuant to which Zhiye Company and FC Education shall grant to Jinan WOFE 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 WOFE, Yinghua School and Jinan Baofei, pursuant to which Yinghua School shall engage Jinan WOFE 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 2017 Financial Year, there was no material change in the contractual arrangements and 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. 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**"), respectively, which are in turn held by Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司) ("**Xishan Education**", together with Xishan Schools, Fujian Company and Jiangxi Company, the "**Xishan Group**"). The registered shareholders of Xishan Education are Mr. Zhang Wenbin, Mr. Lin Binguo, and FC Education. For further particulars of Xishan Schools and registered shareholders of Xishan Education, please refer to the announcement of the Company dated 22 November 2016.

For the 2017 Financial Year, the revenue of Xishan Schools amounted to RMB153.6 million (from the acquisition date to 31 December 2016: RMB12.1 million). As at 31 December 2017, the total assets of Xishan Schools amounted to RMB836.5 million (31 December 2016 (restated): RMB937.4 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, 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 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.

DIRECTORS' REPORT (Continued)

Contractual arrangements in place

The contractual arrangements that were in place as at 31 December 2017 are as follows:

(a) the equity pledge agreements entered into among Fuzhou Quanyue Education Consulting Company Limited* (福州全悦教育諮詢有限公司) ("**Fuzhou WOFE**"), Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall pledge all of their respective equity interests in Xishan Education to Fuzhou WOFE as security for 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 WOFE, Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall irrevocably authorize the Fuzhou WOFE 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 WOFE, Xishan Education and the registered shareholders of Xishan Education, pursuant to which the registered shareholders of Xishan Education shall grant to Fuzhou WOFE 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 WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall pledge all of its respective equity interests in Fujian Company and Jiangxi Company 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 WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall irrevocably authorize the Fuzhou WOFE 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 WOFE, Xishan Education and the subsidiaries wholly-owned by Xishan Education, pursuant to which Xishan Education shall grant to Fuzhou WOFE 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 WOFE and Xishan Group, pursuant to which Xishan Group shall engage Fuzhou WOFE 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 2017 Financial Year, there were no material change in the contractual arrangements and 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 Yinghua 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.

SIGNIFICANT LEGAL PROCEEDINGS

For the 2017 Financial Year, the Group had not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

AUDITORS

The consolidated financial statements of the Group for the 2017 Financial Year have been audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as auditors 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 INEDs (namely Mr. Chu Kin Wang, Peleus, Dr. Li Zhiqiang and Mr. Chen Gang) and one non-executive Director (namely Mr. Li Hua).

ANNUAL GENERAL MEETING

The Company will hold an AGM on Wednesday, 6 June 2018. Notice of the forthcoming AGM will be published and despatched to the Shareholders 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 Thursday, 31 May 2018 to Wednesday, 6 June 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 30 May 2018, for registration.

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

The annual report of the Company for the 2017 Financial Year, in both English and Chinese versions, will be despatched to the Shareholders according to their choice of means of receipt and language of Corporate Communications and will also be available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.cfcg.com.hk.

SUBSEQUENT EVENTS

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

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

APPRECIATION

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

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

Hong Kong
28 March 2018

DIRECTORS' REPORT (Continued)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Committed to making contribution to environmental protection and the society, integrating the idea of sustainable development into every segment, both at the management level and at the staff level


ECO

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WE CARE WHAT YOU CARE

I. INTRODUCTION

The Group actively fulfills its environmental and social responsibilities and has developed its sustainable development strategies with a view to creating sustainable value for stakeholders and continuously reducing the Group's impact on the environment. As part of the top-down implementation of sustainable development strategies, the Board is ultimately responsible for ensuring the effectiveness of the Group's environmental, social and governance policies. The Group has set up task forces to manage relevant matters. Members of such task forces are assigned to execute relevant policies and monitor their implementation. The Group also reviews and adjusts its sustainability policies on a regular basis so as to meet the ever-changing requirements of its stakeholders. Details of the Group's environmental and social aspects are set out in this environmental, social and governance report (the "**ESG Report**"). The Group considers that sustainable development is key to its long-term development.

Both the management level and the staff level of the Group would integrate environmental and social responsibilities into their work and daily life, and are committed to energy conservation, emission reduction and fulfilling social responsibilities from time to time. The ESG Report presents the Group's measures and performance in sustainable development for the 2017 Financial Year. The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

II. PERIOD AND CONTENT COVERED IN THE ESG REPORT

The operation scope covered in the ESG Report includes the Group's education operation business in Shandong Province, Fujian Province and Jiangxi Province, the automotive parts business in Henan Province, and the financial services business in Hong Kong, Shenzhen, Beijing and Shanghai. The period covered in the ESG Report is the 2017 Financial Year, which lasted from 1 January 2017 to 31 December 2017.

III. STAKEHOLDER ENGAGEMENT

In order to enhance its sustainable development and performance, the Group attaches great importance to the opinions of stakeholders. The Group believes that stakeholder engagement is conducive to developing its sustainable development policy and fulfilling its social responsibilities. Through the various communication channels listed in Table 1, the Group has effectively established good relations of mutual assistance and mutual trust with its stakeholders.

Table 1. The Group's Communication Channels with Stakeholders

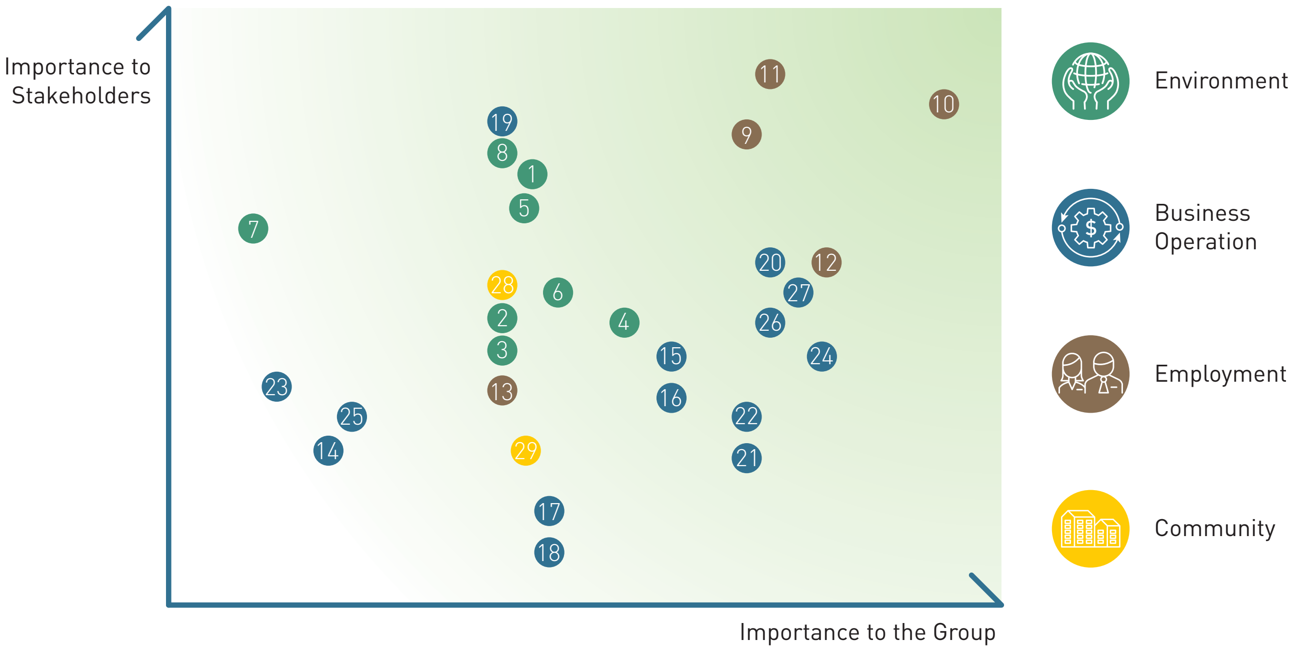
Type of Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	• Compliance with laws and regulations • Support to economic development	• Regular corporate reporting and announcements • Forums and seminars
Shareholders	• Return on investment • Corporate governance • Business compliance	• Regular corporate reporting and announcements • General meetings • Official website
Employees	• Compensation and benefits of employees • Career development • Healthy and safe working environment	• Assessment of employee performance • Regular meetings and trainings • Email, bulletin board, team building and festive activities
Customers	• High quality products and services • Assurance of customers' rights	• Customer satisfaction survey • Interview and on-site investigation • Customer service hotline and email
Suppliers	• Fair and open procurement • Win-win cooperation	• Open tendering • Satisfaction assessment of suppliers • Interview and on-site investigation • Industry seminars
Professional organizations	• Win-win cooperation	• Satisfaction assessment of professional organizations • Email, hotline and interview
General public	• Community engagement • Business compliance • Environmental protection awareness	• Media conference • Public welfare activities • Donations • Face-to-face interview

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Materiality Assessment

To conduct materiality assessment and investigation, the Group selected internal and external stakeholders based on their influence and reliance on the Group. Selected stakeholders expressed their views and concerns on sustainable development issues via online survey. The investigation helps the Group prioritize those sustainable development issues that are relevant to its development, and illustrate them in the ESG Report so as to meet the expectations of stakeholders. The results of the materiality assessment and investigation are shown in the following figure.

Stakeholder Engagement Materiality Matrix



1	Air pollutants and greenhouse gas emissions	11	Occupational health and safety	21	Marketing and promotion
2	Sewage treatment	12	Employee development and training	22	Compliance and protection of intellectual property rights
3	Consumption, pollution and recovery of soil	13	Prevention of employing child labour and forced labour	23	Product quality assurance and recall rate
4	Treatment of solid waste	14	Suppliers by geographical region	24	Protection of customer information and privacy
5	Energy consumption	15	Standard of selecting suppliers and assessing their products/services	25	Labelling issues relating to products/services
6	Consumption of water resources	16	Environmental protection assessment of the suppliers	26	Prevention of bribery, blackmail, fraud and money laundering
7	Use of raw materials/packaging materials	17	Social risk assessment of the suppliers	27	Anti-corruption policy and reporting procedures
8	Environmental protection measures	18	Procurement measures	28	Understanding the demand of local community
9	Employee composition	19	Health and safety of products/services	29	Public welfare and charity
10	Employee remuneration package and benefits policies	20	Customer satisfaction		

The Group has built a stakeholder engagement materiality matrix, and ranked 29 sustainable development issues accordingly. For the purpose of this ESG Report, the Group listed "Compliance and protection of intellectual property rights", "Employee remuneration package and benefits policies" and "Occupational health and safety" as issues of great importance. The Group will illustrate its work progress made in each aspect, stress on the highly important issues in its long-term operation, prepare corresponding strategies, improve policies and set long-term objectives.

Feedback from Stakeholders

The Group strives for excellence. Stakeholders are welcome to share their views with the Group through its official website at www.cfcg.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

IV. SUSTAINABLE ENVIRONMENT

A1. Emissions

The Group is committed to contributing to environmental protection and strictly complies with relevant laws and regulations, such as the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes. In addition, the Group has integrated the concept of sustainable development into its business operations. For the 2017 Financial Year, the Group did not identify any illegal activities that had a significant impact on the Group, such as emission of exhaust and greenhouse gases, water and land pollution, and emission of hazardous and non-hazardous wastes. The Group's environmental policies have included controlling the Group's energy consumption and thereby reducing its impact on the environment caused by such emissions.

During the reporting period, the Group's emissions included exhaust gases, greenhouse gases, hazardous waste and non-hazardous waste, as summarized in Table 2.

Table 2. The Group's Total Emissions for the 2017 Financial Year

Type of emission	**Indicator**	**Unit**	**Amount of consumption**	**Density#** (Unit/Person)
Exhaust gases	SO_X	Kg	4,435	–
	NO_X	Kg	511	–
	PM	Kg	383	–
Greenhouse gases	Direct greenhouse gas emission ("**Range 1**")	tCO_2e	17,891	–
	Indirect greenhouse gas emission from energy ("**Range 2**")	tCO_2e	24,221	–
	Other indirect greenhouse gas emission+ ("**Range 3**")	tCO_2e	755	–
	Total emission of greenhouse gases^	tCO_2e	42,867	10.7
Hazardous waste	Sewage	Tonne	44,133	11.0
	Solid waste	Tonne	10	0.002
Non-hazardous waste	Sewage	Tonne	1,580,585	393.9
	Solid waste	Tonne	4,941	1.2

Density is calculated by the amount of consumption being divided by the average number of the Group's employees for the 2017 Financial Year.

+ For other indirect greenhouse gas emission, only emissions arising from waste paper discarded at landfills were calculated.

^ Total emission of greenhouse gases equals to the total of Range 1, Range 2 and Range 3.

Education Operation Business

The Group's education operation business is situated in Shandong Province, Fujian Province and Jiangxi Province, with major emissions being domestic sewage, domestic waste and greenhouse gases.

Sewage

In 2015, the Group invested in establishing a sewage treatment facility with a daily treatment capacity of 300 tonnes in Jinan City, Shandong Province. The sewage treatment facility processes sewage through activated sludge process which is a widely used secondary biological treatment process. After filtration by the sewage treatment facility, the domestic sewage generated from the Group's schools in Shandong Province is used to irrigate the schools' vegetable farms, orchards and greenery plants, thereby achieving the objective of water recycling and reuse.

Solid waste

Our schools pay great attention to educating students on waste separation before disposal. There are waste separation bins in the schools for the daily separation of discarded garbage. Garbage that cannot be decomposed by microorganisms, such as metal, glass and plastic, will be centralized and sent to large garbage disposal stations; while garbage that can be decomposed by microorganisms will undergo composting treatment, with the resulting fertilizer being used in vegetable farms, orchards and greening work of the schools. All the food waste from school canteens will be transported to animal farms to serve as livestock's feed. This measure not only maximizes the utilization of solid waste, but also mitigates impact on the environment.

Greenhouse Gases

Greenhouse gas emissions of the Group's education operation business mainly come from the electricity consumption in the schools. Section "A2. Use of Resources" further illustrates the measures for reducing electricity consumption (thereby reducing greenhouse gas emissions). At the same time, to control the environmental impact of greenhouse gas emissions from the schools, natural gases are used for cooking at school canteens which reduce the emission of particles. In addition, a large number of green plants are planted in front of the air outlet of the canteens to effectively control their greenhouse gas emissions.

Financial Services Business

Emissions of the Group's financial services business mainly comprise the office waste, office sewage, waste paper, used office stationery and greenhouse gases indirectly emitted from electricity consumption by the staff during office operation.

Sewage

Since the amount of office sewage depends on the amount of domestic sewage produced by our staff, the Group has adopted a number of effective water saving measures which are further explained in Section "A2. Use of Resources". Office sewage is directly discharged into the building's sewage pipes and managed by the building.

Solid Waste

The Group educates its staff on waste separation before disposal and encourages them to bring their own lunch boxes to reduce plastic wastes generated from take-away food. In the meantime, the Group also encourages its staff to save paper and recycles used stationery. Office solid waste is centrally collected and disposed by the administrative departments. To reduce the daily generation of domestic garbage, the Group adheres to the following basic principles:

- Maximize the recycling of solid waste;
- Reduce consumption of disposable products (such as disposable tissues); and
- Repeated use of office stationary.

Greenhouse Gases

Greenhouse gas emissions of the Group's financial services business mainly come from office electricity consumption. The measures for reducing office electricity consumption (thus reducing greenhouse gas emissions) are elaborated in Section "A2. Use of Resources".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Automotive Parts Business

The Group operates the GB/T24001-2004 environmental management system in its automotive parts manufacturing plants, which involve environmental emissions including sewage, exhaust and greenhouse gases, solid waste and noise. Of such emissions, sewage mainly includes industrial and domestic sewage; exhaust and greenhouse gases include volatile toxic and harmful gases from automobiles, machines and chemicals, and greenhouse gases generated from gasoline and electricity consumption; solid waste includes production and domestic waste; and noise generated by machinery and vehicles. The Group has an internal management procedure in place to cautiously and strictly manage all its emissions in order to prevent environmental pollution caused by those emissions and to enhance the disposal and utilization of solid waste.

Sewage

Sewage generated by the Group's automotive parts business mainly includes staff domestic sewage (which is directly discharged to sewage pipes) and the industrial sewage generated from production process. Such industrial sewage as waste cleaning fluids and waste reagents in the production process is treated by the sewage treatment facilities built at the Group's plants. After treatment, sewage will be stringently tested and be discharged only after meeting the emission standard. The Group is committed to maximizing the utilization efficiency of water resources in each phase.

Solid Waste

The Group centrally collects recyclable wastes such as used membrane and paper and deliver them to waste collection department for recycling and reuse. As for domestic waste, the Group collects such waste by dustbins and bags, and transfer to the municipal garbage recycling department for collective disposal. As for hazardous waste generated during the production and manufacturing processes, the Group use containers specifically for hazardous waste with stringent management to ensure no leakage or evaporation of such waste. Waste oil drums are recycled by oil suppliers, while waste mineral oil is purchased and processed by professional refineries. Rags and membranes stained with oil are cleaned for reuse and some waste oils are reused for lubricating rolling mills.

Exhaust and Greenhouse Gases

The Group strictly monitors and controls exhaust and greenhouse gases possibly generated from each phase of its production process. The Group has installed exhaust funnels and air purifiers at its processing, cleaning and painting workshops, to process and strictly monitor those emissions and ensure standard compliance before discharge. Unleaded gasoline is used for all the Group's company vehicles, and their exhaust emissions are strictly monitored annually to ensure compliance with pollutant emission standards. At the same time, the procurement and sales departments also impose strict requirements on its suppliers that exhaust emissions of their vehicles in product transportation shall meet the pollutant emission standards.

Noise

Noise mainly comes from equipment at the production site. To strictly control the noise at the production site, the Group takes noise level as one of the important criteria in equipment selection and acceptance. As for equipment that generates considerable vibration and noise, the Group installs elastic cushions, connectors for reducing or eliminating vibration or noise, and special mufflers in order to reduce noise effectively. All flank walls and suspended ceilings of the Group's workshops, other than dados, are built with sound-absorbing materials. Plant greening is another focus of the Group's noise control. Noise is reduced through a composite greenery structure comprising lawns, shrubs and trees. Noise tests indicate that the noise level meets the environmental noise standard after adoption of vibration cushioning equipment, sound-proof devices and workshop covers which ensure that normal life of nearby residents will not be affected.

A2. Use of Resources

The resources consumed by the Group during the reporting period include electricity, gasoline, diesel, coal, water, paper and packaging materials, which are summarised in Table 3.

Table 3: The Group's Total Resource Consumption for the 2017 Financial Year

Indicator	Resource	Unit	Amount of consumption	Density# (Unit/Person)
Energy	Electricity	1,000 kWh	44,267	11.0
	Gasoline	Litre	485,531	121.0
	Diesel	Litre	326,424	81.3
	Coal	Tonne	5,662	1.4
Water	Water	Tonne	1,594,175	397.3
Paper	Paper	Tonne	157.3	0.04
Packaging materials	Plastics	Tonne	223	0.06
	Paper	Tonne	1,000	0.25
	Metals	Tonne	134	0.03

Density is calculated by the amount of consumption being divided by the average number of the Group's employees for the 2017 Financial Year.

Education Operation Business

The Group pays great attention to the resource consumption of its schools, especially electricity, water, energy and paper consumption. The Group carries out resource-saving education activities in stages, encourages and requires all the teaching and administration staff to raise awareness in saving electricity and water and consuming resources reasonably.

Electricity Consumption

To save energy consumption, our schools are installed with a heat supply system that combines air heat kinetic energy with solar power, solar-powered street lamps and solar lighting systems for gymnasiums. For the 2017 Financial Year, the solar power system of our schools reduced energy consumption by approximately 120,000 kWh. In addition, our schools have also adopted the following practices to save electricity:

- Switch off lighting devices as appropriate and maximize the use of natural light based on lighting conditions;
- Staff members are required to switch off electrical devices after work and when they are out of office;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

- Air conditioners shall be switched on only when indoor temperature is higher than 30°C in summer or lower than 0°C in winter, be turned off 10 minutes before getting off work, and not be turned on when the room is not occupied. Doors and windows shall be closed when air conditioners are switched on;

- The indoor air-conditioning temperature shall not be set lower than 26°C in summer or higher than 18°C in winter;

- Computers and nearby equipment shall be shut down if the users leave the office for over four hours, and computer screens which remain idle for over half an hour shall be turned off;

- Office equipment such as photocopiers and printers shall be switched off after working hours; and shall be switched off in time after use during non-working hours;

- Forbid the use of high-power equipment (such as electric cookers) which is not provided by the schools; and

- Chargers of personal small electrical devices (such as mobile phones) shall be removed from power sockets after use and shall not be left connected with power sockets for a long time.

Water Usage

In addition to fully utilise treated water for greening work in the schools, a rainwater harvesting system is also adopted for cleaning campus roads, in a bid to save water. According to internal statistics, the schools consumed approximately 50 tonnes of irrigation water for the 2017 Financial Year, of which 30 tonnes came from the rainwater harvesting system. In addition, the schools have posted signs of saving water in washrooms and bathrooms, as a constant reminder for the staff and students to save water.

Energy Consumption

Our schools' energy consumption mainly comes from cooking in the canteens, heating and vehicle transportation. To reduce energy consumption and environmental impact, the schools have adopted the following measures:

- Use natural gases as cooking energy source in canteens to reduce the generation of particles;

- Only electric vehicles are used in campuses; and

- Adopt geothermal heating to eliminate the environmental impact caused by burning coal for heating in winter.

Paper Consumption

The Group's education operation business consumes a considerable amount of paper. To save paper, the Group has adopted the following practices:

- Replace traditional paper-based teaching with multimedia teaching;

- Educate students and teachers on saving paper regularly;

- Promote the development of a paperless conference system; and

- Reuse paper items such as single-sided printed paper, envelopes and folders.

Financial Services Business

Energy consumption of the Group's financial services business primarily comes from the water and electricity consumed during office operation. In addition to regularly educating the staff to save water and electricity at work, the Group has also adopted the following practices:

- Post "Save Water" signs at prominent areas to encourage water conservation;
- Repair the water supply system in time;
- Conduct regular leakage tests on water faucets and gaskets, and test the water supply system to avoid failure;
- Adjust the air-conditioning according to the actual temperature of the office;
- Clean office equipment such as air conditioners, shredders and refrigerators regularly to maintain effective operation;
- Post "Save Electricity and Turn Off When Leaving" signs at prominent areas to encourage electricity conservation;
- Staff members who are the last leaving office shall thoroughly check whether the air conditioners, lights, computers and other electrical appliances are turned off; and
- Use energy-efficient office equipment and lighting equipment such as LED lights instead of traditional high-power light bulbs in office.

Automotive Parts Business

Water Consumption

To actively respond to the PRC's call on energy and water conservation and emission reduction, the Group's automotive parts business has established a water-saving management team, which held several meetings on water saving and prepared a 10-year water saving plan. Apart from these, the Group launched water-saving campaigns to raise the awareness of water saving among the staff, with an emphasis on enhancing the research on reuse of water resource. It also actively improved the examination system, and continuously strengthened the transformation of its water supply pipe network and the monitoring of water supply facilities. The Group has also adopted the following water saving management measures:

- The power equipment department shall supply water according to the prescribed timetable, with no overtime or untimely water supply;
- During water supply, the power equipment department shall assign special personnel to inspect the water consumption across the factory and promptly repair any water leakages;
- Water valves shall be turned off as soon as the equipment requires no water supply;
- Water meters shall be installed to calculate the amount of water consumption with timely replacement of damaged water meters; and
- Fire pumps shall be maintained and checked on a regular basis to prevent water leakage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Energy Consumption

To reduce diesel consumption during the production process, the Group uses regenerative thermal incinerators to heat up organic exhaust to over 760°C, to decompose the volatile organic compounds in such exhaust gases into carbon dioxide and water. High-temperature airflow from oxidization flows through specialized ceramic thermal mass, heats up before being used to pre-heat the forthcoming organic exhaust gases, thus saving the fuel consumption for heating up exhaust gases. In addition, all the steam pipes from boiler stations are wrapped in heat-preservation rock-wool material and painted with anti-corrosion resin paint, with the outermost layer furnished with tin plates. This measure has not only waterproof effect but also effectively reduces the fuel consumption in boiler operation.

Packaging Materials

The Group's packaging materials are mainly divided into plastic, paper and metal. To enhance the utilization of the Group's packaging materials, the Group's major customers invariably use recyclable packaging materials. Except for a small number of products which require iron cases, all new products are packaged in cardboard boxes. The Group strictly complies with national standard and executes the mission of environmental protection and energy conservation by using environmentally friendly packaging materials.

A3. The Environment and Natural Resources

To reduce its environmental impact and raise the utilization of natural resources, the Group actively promotes the conservation of natural resources, protects the natural environment and promotes the sustainable corporate development.

Paper for Annual Report

This annual report is printed on paper made from responsible forest resources certified by the Forest Stewardship Council and up to proper social, economic and environmental standards.

Education Operation Business

The Group's education operation business attaches great importance to saving paper and processing waste paper in a green manner. In addition to specifying the concept of paper saving in moral lectures, staff manuals and student handbooks, the schools have also entered into long-term collaboration contracts with paper factories to recycle test paper and workbooks for reuse. The schools also encourage senior students to give their used textbooks to their junior fellows. Except the information that requires a hard copy, the teaching staff and management personnel maximize the application of e-mail for work.

Financial Services Business

The Group's financial services business also attaches great importance to the conservation of natural resources and greater utilization. To improve its utilization of printing paper and minimize paper consumption, the Group requires all its staff members to:

- Use double-sided printing for all the documents other than formal documents (those that require signature or application forms);
- Choose smaller characters and narrower page margins to allow each page to contain more words;
- Carefully review all the contents and format of the materials before printing to reduce printing errors;
- Maximize the application of e-mail and reduce the use of paper by fax; and
- Place single-side-printed paper separately from double-side-printed paper for the convenience of collection and reuse.

Automotive Parts Business

With "water and soil preservation and environment beautification" as its mission, the Group designed and beautified its automotive parts manufacturing plant in Henan Province according to the requirements of "garden-like" factory design. Camphor, loquat, Chinese parasol, ginkgo, peach and photinia fraseri, etc. are planted around the plant and on both sides of its roads for a total area of over 500 acres. Meanwhile, the Group has adopted a software platform of corporate management systems for the purpose of approval in its automotive parts plants, replacing consignment sheets and shipment sheets to monitor material entry and exit. Besides, the Group has tapped into Tencent's RTX system and the Group's internal website to deliver production and operation information, such as production plans and sales orders. To further save paper, the Group encourages the maximum application of modern information technology to achieve no generation of waste paper in its offices.

V. SUSTAINABLE SOCIETY EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group believes that staff is one of the most valuable assets in a corporation. As the Group grows continuously, it is critical to build a sustainable workforce and attract and retain talents. The Group has strictly complied with applicable employment laws and regulations in Hong Kong and the PRC, such as the Employment Ordinance, the Labour Law of the PRC, the Labour Contract Law of the PRC and the Social Insurance Law of the PRC, to ensure that employees are provided with legal and reasonable wages and welfare as well as fair treatment. The Group respects all its employees and has formulated an equal employment policy, under which no employee would be discriminated because of race, religion, colour, gender, nationality, sexual orientation, marital status and disability during the employment, training, performance management, personnel selection and remuneration adjustment. Such a policy ensures fair and just treatment. The Group has zero tolerance for discrimination or harassment in the workplace. The Group would take corresponding action in case of violation of its equal opportunity policy. All termination of employment contracts shall be lawful and reasonable, as the Group forbids any unlawful or unreasonable dismissal. The Group's human resources department regularly reviews and updates its human resources policy based on the latest local laws and regulations.

In order to attract and motivate the staff and develop teams of workforce, the Group will take into account such factors as work experience, expected work capability, background, remuneration level for the position in the market and internal budget of the Group when recruiting new employees. After the candidate passes the interview, his employment application will be reviewed by the human resources department and approved by the management. Members of the existing staff receive at least one annual work performance assessment in respect of such factors as work ability, performance, and remuneration level for the position in the market and internal budget of the Group, and outstanding employees will be rewarded. The Group ensures equal treatment for all its employees during their recruitment and employment, and all of them are given development and promotion opportunities as appropriate.

The staff's working and rest hours are in compliance with local employment laws. In addition to statutory paid leave, social insurance, Mandatory Provident Fund, business travel accident insurance and a competitive compensation system, the Group also ensures that its employees are entitled to maternity leave, marriage leave, paternity leave, compassionate leave, etc. according to law. In order to promote friendship among its employees and build harmonious team relationship, the Group organizes various types of staff activities every year, including mountain climbing, training, Hong Kong-Shenzhen business exchange sessions, new employee gathering, Mid-Autumn Festival gathering, Christmas parties, etc..

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

The Group ensures that its staff and the management maintain effective two-way communication. Daily opinions are communicated through e-mail, bulletin board, WeChat, staff manual, training, meeting and so on, to encourage staff members to express their views and suggestions on working environment, treatment and other aspects. The Group firmly believes that such good interactive communication is not only beneficial to the Group's decision-making process, but also helpful to the Group in promoting its sustainable development.

B2. Health and Safety

The Group is committed to providing its employees with a safe and healthy working environment, and has established occupational safety and health policies based on the relevant laws and regulations of Hong Kong and the PRC, such as the Occupational Safety and Health Ordinance, the Production Safety Law of the PRC and the Law of the PRC on the Prevention and Control of Occupational Diseases. The Group also urges its personnel at all levels to be conscientious in safety management at production lines and all aspects of work, and timely eliminate potential hazards. The Group adheres to the concept of anti-smoking, anti-drug and anti-alcohol abuse policies, continuously strengthens the safety awareness of staff at work and ensures that staff members have a clean, smoke-free, healthy and safe working environment. The Group also stresses on the health and safety of its staff. We regularly clean the air-conditioning system, disinfect carpets, and remove formaldehyde from office. Safety warning signs are posted, and safety drills and physical examination are carried out for the staff. To further enhance the staff's safety awareness, the Group has established safety production regulations and management system, notification of hazard sources in each process and control measures, with regular case analysis on the causes and processes of the most familiar safe production accidents. During such case analysis, analysts would apply the case to the Group's actual condition, to help the staff learn how to prevent such accidents and similar ones from occurring at their respective positions, thereby achieving the goal of strengthening safety awareness. For the 2017 Financial Year, no work-related injury accident happened to the Group.

B3. Development and Training

The Group is committed to developing talents. We train staff with different positions and experience on a regular basis. Our Hong Kong and Shenzhen offices serve as the Group's professional training centres. The Group's training programs include orientation training for new staff members, business upgrading courses and management enhancement courses. The training of the Group is mainly professional-oriented, with an aim to help the staff meet the continuing training hours required for professional qualification. Such training hours are supplemented by the Group's internal training on different business and operation, to ensure that members of the staff are equipped with sufficient professional knowledge and work capabilities. For the 2017 Financial Year, the Group provided its staff with training activities on compliance and risk, anti-corruption, occupational health and safety, emergency response and management, etc. The Group also encourages its staff to participate in external training, seminars and examinations to obtain work-related professional licenses or qualifications, to raise their value and improve their business knowhow and professionalism.

To provide support to the Group's financial services business and meet the annual requirements of the SFC, each licensed staff member must assume his/her responsibility to participate in continuing training on each regulated activity to ensure that his/her work ability meets the requirements. The Group also ensures that each licensed employee complies with the SFC's requirement by recording the courses and continuing training activities that they have attended and keep such records for at least 3 years for future reference and provision to the SFC upon its request.

B4. Labour Standards

The Group prevents the employment of child labour and forced labour by strictly complying with the Labour Law of the PRC, the Provisions on the Prohibition of Using Child Labour, the Law of the PRC on the Protection of Minors and other relevant labour 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 ensure that the Group fully complies with relevant laws and regulations about prohibiting child labour and forced labour. In case of identifying child labour or forced labour, the Group will immediately terminate the labour relationship with the party concerned and send the individual to the statutory body. The Group's human resources department will regularly review the implementation of human resource policies to thoroughly eliminate the risks of child labour, underage labour and forced labour.

OPERATING PRACTICES

B5. Supply Chain Management

Education Operation Business

The primary suppliers of our schools are the building contractors and the merchants that supply food ingredients to the canteens. The schools attach great importance to the choice of suppliers and compliance with the main principles of the supply-side structural reform. Accordingly, the suppliers must be legally established corporations with industry qualifications, such as the Qualification Certificate for Food Inspection (《食品檢驗合格證》) to provide their products. The Group has set up a management system for selection of suppliers with "Quality, Cost, Delivery and Service" as the basic principles for procurement. Among them, the Group regards "Quality" as the most important factor. Accordingly, the suppliers shall set up a stable and effective quality management system as well as possess the capability for producing the specific products required. The Group would choose the suppliers that can provide materials stably in a long term with sufficient strength and production capacity. Meanwhile, the Group takes into account the suppliers' pre and after-sale service records.

In addition, the supplier's geographical location, traffic conditions and compliance with environmental regulations are all important factors in the Group's selection of suppliers. Before deciding on the corresponding suppliers, the Group would test their samples, and treat such suppliers as qualified suppliers upon up-to-standard results. The procurement department is responsible for the management of suppliers by setting up a strict system on choosing suppliers, and maintaining a list of qualified suppliers under the system. In case of any quality issue, the Group would contact such suppliers in time and help them carry out remedial work while keeping their loss at the lowest level. The Group sees "Seeking Mutual Benefit and Making Common Progress" as its philosophy. The Group conducts regular surveys on supplier satisfaction and provide its suppliers with targeted training, in a bid to establish and maintain sound, mutually beneficial relationship with them.

Financial Services Business

The primary suppliers for the Group's financial services business include the Stock Exchange and other financial institutions. The principles of selecting suppliers and purchasing their services are that the products and services provided should be in compliance with laws, safe and of good quality. The Group would invariably choose licensed institutions and corporations that are socially responsible in their operation, solid in financial performance and in line with local laws (financial services providers shall obtain the business licenses/certifications from the SFC, Hong Kong Monetary Authority or other authorities). The Group appraises its suppliers in stages, regularly checks whether the suppliers are chastised or punished by local regulatory authorities, and making enquiries into the law-enforcement information made publically available by local regulatory authorities. The Group also regularly visits the suppliers, engages in face-to-face communication and assists them to improve their services, which in turn improves the competitiveness of the Company's services on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Automotive Parts Business

The Group is one of the largest manufacturers of automobile shock absorbers in China and engages in manufacturing shock absorbers for premium to medium-level automobiles, supplemented by shock absorbers for heavy-duty vehicles, passenger vehicles and light vehicles. To ensure sufficient material reserves from suppliers for our plants, the plants would arrange their procurement officers to have direct communication with suppliers through various channels, including the Internet, advertisement, exhibition and other media, to collect relevant information of potential suppliers. In respect of those who satisfy the requirements of our plants, the Group will specify its review criteria according to policies such as the Operation Documents for Selecting and Recognizing New Suppliers (《新供應商選擇認可作業文件》) and the "Regulations of Determining and Changing Suppliers for Purchased Components" (《外購件供應商確定和變更規定》), with an emphasis on the scale of the supplier, its technical, research and development and product testing capabilities, quality system, as well as the capabilities in inspection and detection, production, delivery and cost control.

The Group has set up a robust standard on evaluating supplier performance. Each year, the supplier's results for the previous year would be assessed in respect of the qualification rate of goods, rectification rate for quality and service, after-sale complaints, delivery punctuality and the pricing trend. Only those suppliers that pass the assessment can become "Qualified Suppliers". Within our system, qualified suppliers shall possess ISO/TS16949 or ISO9001 system certification. Our factories also require some suppliers to have the environmental management system certification (ISO14001). The Group would impose control on the suppliers chosen by its plants according to the "Operation Documents for Restricting Unqualified Products" (《不合格品遏制作業文件》), should such suppliers are found to have provided unqualified products or breached regulations during the supply process. Such control includes labelling, separating and reporting the unqualified products to prevent unintended use and delivery, with effective restriction measures in place to mitigate the impact of such products on the production process and customers. Furthermore, the Group requires its suppliers to submit reports on quality and safety incidents, providing root cause analysis, quality analysis and proposed thorough rectification and preventive measures. In order to prevent supply risks, the plants have established safe inventory management policies and require the suppliers of key products to prepare corresponding contingency plans for logistics and transportation. In respect of sourcing, the Group generally purchases the same type of products from both its suppliers and alternate suppliers, to lessen the risks in the supply process.

B6. Product Responsibility

Education Operation Business

In respect of its education operation business, the Group strictly complies with the Non-state Education Promotion Law of the PRC and other local management methods for school supervision. In order to improve the teaching quality of primary, junior and senior middle schools and the quality of featured teaching in senior middle schools, our schools have prepared their code of safety to ensure robust safety management system and safety emergency response mechanism in place, coupled with safety education for students.

Our schools have set up an emergency-handling team as a leader in handling all the emergencies in the schools, including instructing teachers to reach the designated position, and evacuating students and teachers. Our safety manual specifies the scope of emergencies, including students suicide, self-harm, self-abuse, students leaving from the school secretly or missing, fighting or gang fighting, students encountering traffic accidents or other severe accidents, and schools encountering flooding, fire, earthquakes, toxic gases or adverse weather conditions.

To maintain the schools' regular teaching and operation and to prevent violence and security accidents effectively, our schools have established a security guard system and regular patrol system according to relevant laws and regulations and security work ordinance, to provide the schools, students and staff with 24-hour security service and to ensure the safety of property and lives. Furthermore, the schools have a school medical staff management system in place, which requires the school medical staff to acquire the medical ethics of "loving lives, healing the wounded and rescuing the dying, performing responsibilities conscientiously". Members of the school medical staff also carry out sanitation inspection and supervision, take prompt measures on any problem identified, and ensure the hygiene of the schools, classrooms, offices, functional rooms, the students and the teachers is up to standard.

The schools strictly follow the student admission plan prepared by the school board and carry out detailed demand analysis on market demand and the advertising characteristics of competitors so as to determine the objective and theme of student admission advertisement. The content of such advertisement shall be reviewed and approved by the school principal to ensure its truthfulness and to establish the school's image of integrity. False advertising campaigns shall be prohibited to avoid misleading parents or students in any form.

The schools collect complaints and suggestions from parents, students and the society through various channels, including:

- Suggestion boxes in the schools;
- Email address on the schools' official websites;
- Complaints and suggestions group on the schools' official WeChat account; and
- Holding regular parent-teacher meetings, to have face-to-face communication with parents on issues relating to teaching and school life.

Such opinions and suggestions are processed by relevant school personnel regularly. Every day, such personnel would refer such suggestions to respective teachers and administrative department, follow up on such suggestions regularly every week, and respond to those who raised such suggestions.

The schools keep the information of students and their parents strictly confidential, with special personnel assigned for managing such information. Head teachers submit the information of the students and other relevant information directly to the information management office of the school, thus reducing the chance of information leakage. Student information would only be put to use upon undergoing a strict approval procedure. The Group forbids replication of its student information to protect the parents' and students' personal information privacy.

Financial Services Business

The Group has a diversified financial services business, and has provided services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services. The Group strictly complies with the Code of Conduct for Persons Licensed by or Registered with the SFC and various codes and guidelines under the SFO, including but not limited to relevant laws and regulations such as the Codes on Takeovers and Mergers and Share Buy-backs. The Group would enter into written agreements with each customer before providing services. Customers are provided with both Chinese and English documents for their selection. All the licensed staff shall understand all the terms and conditions of the account opening documents. Unless the customer is a professional investor, the Group shall assess the customer's knowledge on derivatives when performing relevant customer instructions, and classify the customer based on the result of assessment. The Group ensures that customers are well notified of the conditions and terms, risks and unpredictability of the products, so that they have a clear understanding of the products and their risks as well as the expected results.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

As for the financial services business, the Group solicits customer complaints mainly through suggestion boxes or forms, customer service hotline and e-mail. Responsible personnel would investigate and respond to any written or oral complaints from the Group's customers as soon as possible, and shall keep all customer complaint records for at least seven years.

The Group attaches great importance to customer privacy, and complies with the Personal Data (Privacy) Ordinance, the Corporate Finance Adviser Code of Conduct and relevant local laws to ensure that customers' rights are strictly protected. The Group has taken the following measures to strengthen the confidentiality and safety of personal data:

- Only authorized staff have access to the personal data collected ;
- Customers' personal data shall be made available only to the staff who requires such information for performance of work; and
- An encrypted user management system is in place to grant various enquiry permission to users of different levels.

Automotive Parts Business

The Group highly regards product quality, with "Quality First, Customer Satisfaction, Prevention and Control and Ongoing Improvement" as its quality principle as well as strict compliance with laws and regulations that have a significant impact on product health and safety.

In accordance with the requirements of China Automotive Material Data System and In-Mold Decoration, the Group actively implemented the Technical Policy for the Recovery of Automobile Products to manage the recovery rate and prohibited/restricted substances of automobile products and to improve the recovery and reuse of product materials. Meanwhile, the Group followed the requirements of European Union RoHS2.0 and Japan SS-00259 on the environment management and substance management relating to components and materials. The Group has successively obtained ISO9001 quality system certificate, QS9000 and VDA6.1 quality system certificates and IATF16949 certificate.

The Group monitors product safety and quality throughout the process, executes a triple-inspection system in the production process, i.e. "First Inspection, Patrol Inspection, Final Inspection", and conducts relevant tests according to technical requirements, such as strength testing for the welding process which involves safety requirements. We also developed a full-size inspecting plan for shock absorbers and the product type testing plan based on the requirements and standards of tests over the characteristics of shock absorbers and requirements of customers over product characteristics. The Group also conducts quality control and safety tests for different products according to these plans, including tests on fatigue durability, correlative studies between force-velocity curve and temperature, salt spray and prohibited substances for coating. The Group also issues test reports to ensure the reliability of components safety. For the 2017 Financial Year, the Group did not recall the products sold due to safety and health concerns.

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 collects customer's requirements over after-sale service through various channels according to the after-sale service control procedures, sorts out customer feedback, organizes relevant departments to analyse quality issues, and prepares improvement measures. The Group actively maintains good communication with its customers and conducts customer satisfaction surveys annually, to track the effect of quality improvement and enhance its market competitiveness.

The Group has hired senior legal advisers to provide advice and supervision on product advertising policies and labelling policies. All advertisements of the Group shall be subject to legal advisors' review and senior management's signature and approval before release for the purpose of preventing inadvertent exaggeration of advertisement labels and other violations. If any irregularities are found, the Group will deal with it seriously and investigate the related personnel's financial and legal liabilities according to law.

The Group keeps the contract information of its customers strictly confidential under relevant laws such as the General Principles of the Civil Law of the PRC and the Contract Law of the PRC. Such information is numbered and archived by the integrated archive office. Enquiries into such information by the Group's business personnel are subject to signature approval of the department head and senior management. The archivist of the integrated archive office would retrieve the information requested at a prescribed time and location.

To protect intellectual property rights and prevention of infringement, the Group has prepared the rules and regulations on confidentiality in accordance with the PRC laws and regulations and implemented the following measures:

- Departments related to trade secrets, such as the research and development centre, archives and information rooms, have been identified as classified areas, which are separated from the general areas of the Group's production and offices; no unrelated personnel shall enter randomly, to minimize the possible leakage of trade secrets;

- The Group has formulated the rules and regulations of confidentiality in accordance with the provisions of the PRC laws. Confidentiality clauses are also included in labour employment contracts, intellectual property rights vesting agreements or technology confidentiality agreements. The Group negotiated with the relevant personnel that have a significant impact on the technological and economic interests of the Group and agreed that such personnel shall not operate or work on the same type of business which competes or has interests with the Group within a certain period after their departure; and

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

B7. Anti-corruption

The Group strictly complies with the relevant laws and regulations in Hong Kong and the PRC, including the Prevention of Bribery Ordinance and the Anti-Money Laundering Law of the PRC. The Group attaches great importance to staff integrity, conscientiously implements the PRC's five-year plan for punishing and preventing corruption from 2013 to 2017, abided by the laws and regulations on business bribery and the rules and regulations formulated by the Group, and practices the concept of "Self-discipline, Candidness and Dedication".

In respect of the education operation business, the Group has established robust internal control measures to prohibit its teaching and administrative staff from accepting any form of benefits or gifts. Meanwhile, in order to maintain the principle of fair competition, our schools have established a whistleblowing policy, including providing moral lectures, relevant trainings for the students and staff on relevant systems, whistleblowing mail box and hotline against business bribery, and encouraging staff and units with business relationship with schools to report bribery.

For the financial services business, the Group manages day-to-day regulated activities and provides integrity training courses for the staff under the anti-money laundering and compliance manual, to enhance the anti-corruption awareness. 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 regional authorities. In the course of the transactions, the Group made due diligence and investigations into the customers' background. The Group carefully reviews the information provided by customers to identify and prevent any form of bribery, extortion, fraud and money laundering by customers or staff, and reports suspicious transactions to the Hong Kong Joint Financial Intelligence Unit depending on the situation. The Group keeps the materials relating to reporting and investigation strictly confidential. For any breach of disciplines and regulations by relevant personnel, the Group will timely curb such breach, handle it seriously and report it to relevant judiciary according to the circumstances.

To strengthen staff honesty and self-discipline in the automotive parts business plants and deliver good and orderly production and operation, the Group has established such management regulations as the management regulations on administrative penalties for the defaulters, the notice on prohibition of seeking and accepting bribery during procurement, research and development, quality, storage and production construction process and the code of conduct for business activities. The specifics of these documents include the prohibition of seeking bribery from all the suppliers or abusing powers to pursue personal gains during the production and operation process (such as procurement, research and development, quality and production), or causing damage to the interests. Staff members are encouraged to monitor and report the malpractices of seeking and accepting bribery. The Company attaches great importance to the publicity and education of anti-corruption policy and organizes activities regularly.

For the 2017 Financial Year, the Group did not receive any report relating to staff corruption, and any litigation involving fraud, bribery and money laundering.

COMMUNITY

B8. Investment in Community Activities

The Group is well aware of the importance of contributing to local communities and regards community interests as one of its social responsibilities. The Group encourages the employees to support and take part in social welfare activities and community care activities, so that the Group could better understand the community demands. The Group believes that participation in social welfare activities and community care activities will align its corporate policy with the community.

The Group stresses on education and staff care. For the 2017 Financial Year, the Group has established scholarships to make donations to the students with financial difficulties or illness and some teaching and administrative staff. During the year under review, the Group won the "2016 Top 100 Hong Kong Listed Companies – Outstanding Education Investment Award" jointly conferred by QQ.com and Finet.hk and "The Listed Enterprise Excellence Awards" in 2017 presented by Capital Weekly. Furthermore, the Group garnered six international awards for its 2016 annual report at the 2016 Vision Awards hosted by the League of American Communications Professionals and also the 31st International ARC Awards organized by MerComm, Inc..

The Group persistently donates to and sponsors education and cultural undertakings for a long period of time. In 2017 Financial Year, the Group and the Beijing Association of Non-state Education jointly organized the "2017 China Private Education Investment and Financing Forum" and co-organized the 9th Symposium of China Private Educator Representatives on the Implementation of the Non-state Education Promotion Law of the PRC and the Education Investment and Financing Forum. On these occasions, the Group discussed development trend of the education industry with representatives from other sectors of the society and share its views. Meanwhile, the Group has been paying close attention to the development of the arts and cultural media education market and has actively sponsored different types of art and culture-related activities. For the 2017 Financial Year, the Group has been the exclusive title sponsor of "A night with CFCG – 2018 Chengdu Nostalgia New Year Concert", an event directed by the Leading Group Office of the Music Industry Development of Sichuan Province and the Department of Culture of Sichuan Province; the title sponsor of "The 10th Orientale Concentus International Choral Festival" held by ACE 99 Culture Pte Ltd., the "Asia Dance Arts Festival" organized by the Asia Dance Arts Festival Committee and the International Music and Dance Exchange Committee and co-organized by the Hip-Hop Committee under the Chinese Dancers Association and "The 2nd Singapore Raffles Cultural and Arts Festival" organized by Singapore Raffles Music College; and sponsored The 130th-Anniversary Concert and Graduation Ceremony of London College of Music. The Group was widely praised by the public and media over its participation in these events.

The Group has regarded "Staff Cultivation, Development, Care and Healthy Growth" as a constant mission for humanistic care. For the 2017 Financial Year, a staff member of the Group was diagnosed with severe illness. Having learnt the case, the management paid close attention to the staff member's conditions, and mobilized the internal donation channel and external fundraising platform to raise treatment and surgery fees for the staff member. Under the Group's leadership and call, a total of more than RMB600,000 was raised to help the staff member successfully complete the treatment process. In addition, the Group has donated to impoverished mountainous schools and fund poor students for schooling. For the 2017 Financial Year, the team of "FC International Holdings Charity Walk for Education Support and Poverty Relief" arrived in Loudi City, Hunan Province to offer material and spiritual support to left-behind rural children in a public welfare activity for poverty relief and eduction support. In the future, the Group will continue to care for and support rural education, pay attention to and help left-behind rural children, keep fulfilling its social responsibilities, spread its love, and give back to the public.

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

For the 2017 Financial Year and up to the date of this annual report, the Company has complied with the Corporate Governance Code contained in Appendix 14 to the Listing Rules 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. For the 2017 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 for the 2017 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					
Dr. Wilson SEA *(Chairman)*			C	C	C
Mr. TANG Mingyang				M	
Mr. ZHAO Zhijun *(Co-CEO)*		M		M	
Ms. LI Dan		M	M		
Dr. ZHU Huanqiang *(Co-CEO)*				M	M
Non-Executive Director					
Mr. LI Hua	M				M
Independent Non-Executive Directors					
Mr. CHU Kin Wang, Peleus	C	M	M		M
Dr. 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.

For the 2017 Financial Year, the Company invited its Hong Kong legal adviser to provide a training to the Directors. The training session covered topics including reverse takeover and very substantial acquisition. All the Directors (being Dr. Wilson Sea, Mr. Tang Mingyang, Mr. Zhao Zhijun, Ms. Li Dan, Mr. Yan Haiting, Mr. Li Hua, Mr. Chu Kin Wang, Peleus, Dr. Li Zhiqiang and Mr. Chen Gang) 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.

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.

CORPORATE GOVERNANCE REPORT (Continued)

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 for the 2017 Financial Year are set out in the following table:

	Meetings attended/Meetings held						
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**Risk Management Committee**	**General meeting**
Executive Directors							
Dr. Wilson SEA *(Chairman)*	10/10	N/A	N/A	1/1	1/1	1/1	3/3
Mr. TANG Mingyang	5/10	N/A	N/A	N/A	1/1	N/A	1/3
Mr. ZHAO Zhijun *(Co-CEO)*	10/10	N/A	1/1	N/A	1/1	N/A	2/3
Ms. LI Dan	10/10	N/A	1/1	1/1	N/A	N/A	3/3
Mr. YAN Haiting	10/10	N/A	N/A	N/A	1/1	1/1	2/3
Non-Executive Director							
Mr. LI Hua	10/10	3/3	N/A	N/A	N/A	1/1	3/3
Independent Non-Executive Directors							
Mr. CHU Kin Wang, Peleus	10/10	3/3	1/1	1/1	N/A	1/1	3/3
Dr. LI Zhiqiang	9/10	3/3	1/1	1/1	1/1	N/A	3/3
Mr. CHEN Gang	10/10	3/3	1/1	1/1	1/1	N/A	3/3

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

To ensure a balance of power and authority, the roles of the Chairman and the Co-CEOs are segregated and not exercised by the same individual. The Board is headed by the Chairman, Dr. Wilson Sea. He is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. The two Co-CEOs, Mr. Zhao Zhijun and Dr. Zhu Huanqiang, are separately responsible for the development, operations and management of different business segments of the Group. In particular, Mr. Zhao Zhijun focuses on developing and managing the automotive parts business of the Group while Dr. Zhu Huanqiang focuses on developing and managing the education operation business and financial services business of the Group.

With the support of the Company Secretary and the senior management, the Chairman is committed to ensuring that 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 2017 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 judgement.

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 judgement 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.

CORPORATE GOVERNANCE REPORT (Continued)

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 websites of the Stock Exchange and the Company. The Board committees report to the Board their decisions and recommendations at the Board meetings.

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

Audit Committee

The Company 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, Dr. 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.

For the 2017 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 at the forthcoming 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, with the management in conjunction with the auditors, reviewed the audited consolidated financial statements of the Group for the 2017 Financial Year and the accounting principles and practices adopted by the Group. The annual report for the 2017 Financial Year has been reviewed by the Audit Committee.

For the 2017 Financial Year, the Group's external auditors, Deloitte Touche Tohmatsu, provided interim review services, annual audit services and other non-audit services. For the 2017 Financial Year, the total fees paid/payable in respect of different services provided by the Group's external auditors are set out below:

	2017 **RMB**
Interim review services	1,003,092
Annual audit services	2,466,931
Non-audit services	851,457

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 Stock Exchange and the Company. The members of the Nomination Committee are Dr. Wilson Sea, Ms. Li Dan, Mr. Chu Kin Wang, Peleus, Dr. Li Zhiqiang and Mr. Chen Gang. Dr. 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. For the 2017 Financial Year, the Nomination Committee has, amongst other things, reviewed the selection procedures for candidates for directorship after considering different criteria 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.

For the 2017 Financial Year, one meeting of the Nomination Committee was held. The Nomination Committee assessed the independence of Mr. Chu Kin Wang, Peleus, Dr. Li Zhiqiang, 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 Stock Exchange and the Company. The members of the Remuneration Committee are Mr. Zhao Zhijun, Ms. Li Dan, Mr. Chu Kin Wang, Peleus, Dr. 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.

For the 2017 Financial Year, one meeting of the Remuneration Committee was held. The Remuneration Committee reviewed the structure of remuneration for executive Directors and assessed performance of executive Directors.

CORPORATE GOVERNANCE REPORT (Continued)

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 Dr. Wilson Sea, Mr. Zhao Zhijun, Mr. Tang Mingyang, Dr. Zhu Huanqiang, Dr. Li Zhiqiang and Mr. Chen Gang. Dr. Wilson Sea is the chairman of the Strategy Committee.

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

For the 2017 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 Dr. Wilson Sea, Dr. Zhu Huanqiang, Mr. Li Hua and Mr. Chu Kin Wang, Peleus. Dr. Wilson Sea is the chairman of the Risk Management Committee.

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

For the 2017 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 2017 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 auditors 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.

For the 2017 Financial Year, the Board has, through the Audit Committee and the Risk Management Committee, 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.

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 risk management of the Group's 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.

For the 2017 Financial Year and up to the date of this annual report, the Group has set up an internal audit function. In addition, 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 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 EGMs and putting forward proposals at general meetings

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, 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 10 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 10 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 meetings. Shareholders' 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 for the 2017 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 as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors and to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the 2017 Financial Year.

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 enquiries to the relevant employees regarding non-compliance with the Code for Securities Transactions by Relevant Employees for the 2017 Financial Year and they have confirmed their full compliance with the required standards set out in the said code for the 2017 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 services. Mr. Hung confirmed that for the 2017 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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 105 to 217, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 HKICPA's Code of Ethics for Professional Accountants ("**the Code**") issued by the 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 judgement, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters	How our audit addressed the key audit matters
Control over significant subsidiaries through contractual arrangements	
We identified the control over the Consolidated Affiliated Entities (as defined in Note 3 to the consolidated financial statements) 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 3 to the consolidated financial statements). Management's disclosures with regard to the judgements are contained in Note 6 to the consolidated financial statements.	Our procedures in relation to the assessment of control over Consolidated Affiliated Entities through 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 arrangements are not subject to any legal or regulatory approvals in the People's Republic of China ("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 documents including but not limited to resolution documents and approval records on significant matters to validate 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 matters (Cont'd)	How our audit addressed the key audit matters (Cont'd)
Accounting for acquisition	
We identified the risk that resulting from the acquisition accounting for two business combination in connection with (i) Xishan Schools (as defined in Note 3 to the consolidated financial statements) which the Group obtained control over Xishan Schools during the year ended 31 December 2016 but the purchase price allocation exercise was finalised during this year, and (ii) Stirling Coleman (as defined in Note 47 to the consolidated financial statements) due to the inherent complexity underlying the transactions and level of estimation uncertainty associated with forecasting future cash flows that affecting the purchase price allocation. The Group appointed an independent qualified professional valuer who is not connected with the Group (the "**Valuer**") to aid the purchase price allocation process. Management's disclosures with regard to the judgements and estimations are set out in Note 6 to the consolidated financial statements and the details relating to the two acquisitions are contained in Note 40 to the consolidated financial statements.	Our procedures in relation to the accounting for business combination included: • Understanding the key terms and rationale for the transaction through inspection of purchase agreements for terms that may impact the accounting for the acquisition; • Evaluating the Valuer's competence, capabilities and objectivity; • Evaluating the appropriateness of the underlying valuation methodology; • Evaluating key assumptions, such as expected cash flow streams, discount rate and growth rate, underlying in the valuations of Xishan Schools and Stirling Coleman by comparing them to historical results and relevant industry forecasts; • Involving our internal valuation specialist in assessing the key assumptions to the extent necessary; • Performing sensitivity analysis; and • Assessing whether the disclosures of the business combination in the consolidated financial statements are sufficient and appropriate.

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (Cont'd)

Impairment Assessment on Goodwill and Intangible Assets with Indefinite Useful Lives

We identified the valuation of goodwill and intangible assets with indefinite useful lives arising from business acquisition as a key audit matter due to subjective valuation parameters used and judgement exercised by the Group for the impairment assessment.

At 31 December 2017, the closing balance of goodwill and intangible assets with indefinite useful lives arising from business acquisition amounted to RMB365,380,000 and RMB57,737,000, respectively, as disclosed in Note 24 and Note 21 to the consolidated financial statements.

As detailed in Notes 6, 21 and 24, respectively to the consolidated financial statements, the management conducted the impairment assessment of the goodwill and intangible assets with indefinite useful lives 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. During the year ended 31 December 2017, an impairment of RMB42,100,000 on goodwill has been recognised and no impairment on intangible assets with indefinite useful lives was recognised.

How our audit addressed the key audit matters (Cont'd)

Our procedures in relation to the valuation of the goodwill and intangible assets with indefinite useful lives 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 conducting retrospective review by comparing them to the historical results and relevant industry forecasts;
- Involving our internal valuation specialist in assessing the key assumption, i.e. discount rate;
- Performed sensitivity analysis; and
- Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Key audit matters (Cont'd)	How our audit addressed the key audit matters (Cont'd)
Warranty Provision	
As at 31 December 2017, the amount of accumulated warranty provision made by the Group was RMB4,695,000 representing 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 37 to the consolidated financial statements.	Our procedures in relation to the warranty provision including: • Discussing with the management and understanding the management's basis of estimation of warranty provision; • Understanding the management process 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, historical claim records, and subsequent settlement.

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (Cont'd)	How our audit addressed the key audit matters (Cont'd)
Valuation of Loan and Interest Receivables	
We identified the valuation of loan and interest receivables as a key audit matter due to judgement required in determining the impairment on doubtful receivables. As at 31 December 2017, the Group's loan and interest receivables amounted to approximately RMB511,963,000 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 and interest 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 including bank-in receipt.

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 issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 judgement 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 of the Company.

INDEPENDENT AUDITOR'S REPORT (Continued)

- 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 Zhu Chen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	7	**1,865,247**	1,474,059
Cost of sales/services		**(1,389,195)**	(1,090,991)
Gross profit		**476,052**	383,068
Other income and expenses	8	**7,790**	9,234
Other gains and losses	9	**160,444**	1,675
Fair value changes of financial assets measured at fair value through profit or loss	10	**(204,884)**	357,297
Selling and distribution expenses		**(128,600)**	(97,327)
Research and development expenditure		**(46,180)**	(43,399)
Administrative expenses		**(442,566)**	(286,945)
Finance costs	11	**(128,428)**	(43,371)
Share of results in associates	19	**1,536**	–
Share of results in joint ventures	20	**(37,801)**	(4,516)
(Loss) profit before tax	12	**(342,637)**	275,716
Taxation	13	**42,766**	(87,440)
(Loss) profit for the year		**(299,871)**	188,276
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**102,841**	(67,372)
Fair value change of available for sale investments		**(41,850)**	22,807
Reclassify to profit or loss upon impairment/disposal of available for sale investments		**51,661**	(22,807)
Income tax relating to fair value change of available for sale investments		**(1,619)**	–
		111,033	(67,372)
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(287,603)**	72,737
Other comprehensive (expense) income for the year, net of income tax		**(176,570)**	5,365
Total comprehensive (expense) income for the year		**(476,441)**	193,641

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

For the year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(302,169)**	178,664
Non-controlling interests		**2,298**	9,612
		(299,871)	188,276
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(478,487)**	184,850
Non-controlling interests		**2,046**	8,791
		(476,441)	193,641
(Loss) earnings per Share – Basic* (RMB)	*16*	**(0.07)**	0.05
(Loss) earnings per Share – Diluted (RMB)	*16*	**(0.07)**	N/A

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	859,385	805,745
Prepaid lease payments	18	272,159	279,069
Interests in associates	19	6,036	2,500
Interests in joint ventures	20	819,636	598,513
Intangible assets	21	254,683	224,773
Available for sale investments	22	616,184	70,265
Deposits for investments	23	380,000	161,570
Goodwill	24	365,380	395,802
Deferred tax assets	25	15,464	13,036
Other receivables	27	163,739	–
		3,752,666	2,551,273
CURRENT ASSETS			
Inventories	26	227,853	211,908
Trade and other receivables	27	738,022	1,025,905
Loan and interest receivables	28	511,963	110,490
Prepaid lease payments	18	6,803	6,661
Financial assets measured at fair value through profit or loss	29	2,868,614	1,508,324
Security account balances	30	7,969	–
Restricted bank balances	31	556,252	675,464
Bank balances and cash	31	686,477	1,324,651
		5,603,953	4,863,403
TOTAL ASSETS		9,356,619	7,414,676
CURRENT LIABILITIES			
Amount due to an associate		2,425	2,197
Trade and other payables	32	1,587,904	1,950,698
Amount due to a joint venture	33	103,270	198,270
Advance from customers		1,957	2,894
Borrowings	34	1,377,104	1,100,336
Income tax payable		62,499	48,214
Deferred income	36	142,586	69,561
Provisions	37	4,695	21,395
		3,282,440	3,393,565
NET CURRENT ASSETS		2,321,513	1,469,838
TOTAL ASSETS LESS CURRENT LIABILITIES		6,074,179	4,021,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000 (restated)
NON-CURRENT LIABILITIES			
Other payables	*32*	**324**	410
Borrowings	*34*	**1,584,364**	413,624
Convertible bonds	*35*	**634,149**	–
Contingent consideration payables	*40a, f*	**29,923**	13,814
Embedded derivative components of convertible bonds	*35*	**6,945**	–
Deferred income	*36*	**215,454**	295,825
Long term payables	*38*	**27,496**	24,860
Deferred tax liabilities	*25*	**113,738**	162,746
		2,612,393	911,279
TOTAL LIABILITIES		**5,894,833**	4,304,844
OWNERS' EQUITY			
Share capital	*39*	**80,096**	74,941
Reserves		**3,089,799**	2,747,124
Equity attributable to:			
Owners of the Company		**3,169,895**	2,822,065
Non-controlling interests		**291,891**	287,767
		3,461,786	3,109,832

The consolidated financial statements on pages 105 to 217 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Dr. Wilson SEA
DIRECTOR

Dr. ZHU Huanqiang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Paid in capital RMB'000	Reserves Share premium RMB'000	Capital reserve RMB'000 *(Note a)*	Available for sale reserve RMB'000	Surplus reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Development reserve RMB'000 *(Note c)*	Special reserve RMB'000 *(Note d)*	Retained earnings (losses) RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 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
Fair value change of available for sale investments	–	–	–	22,807	–	–	–	–	–	22,807	–	22,807
Reclassify upon disposal of available for sale investments	–	–	–	(22,807)	–	–	–	–	–	(22,807)	–	(22,807)
Exchange difference arising in translation on translation of foreign operation	–	–	–	–	–	(67,372)	–	–	–	(67,372)	–	(67,372)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	73,558	–	–	–	73,558	(821)	72,737
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
Capital injection to non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	10,050	10,050
Dividends	–	–	–	–	–	–	–	–	–	–	(30,000)	(30,000)
Acquisition of businesses *(Note 40)*	–	–	–	–	1,961	–	–	–	–	1,961	99,692	101,653
Appropriation	–	–	–	–	5,986	–	–	–	(5,986)	–	–	–
At 31 December 2016 (as previously reported)	74,941	2,426,403	42,917	–	34,240	6,868	–	–	236,696	2,747,124	213,874	3,035,939
Adjustment of valuation *(Note 2)*	–	–	–	–	–	–	–	–	–	–	73,893	73,893
At 31 December 2016 (restated)	74,941	2,426,403	42,917	–	34,240	6,868	–	–	236,696	2,747,124	287,767	3,109,832
Loss for the year	–	–	–	–	–	–	–	–	(302,169)	(302,169)	2,298	(299,871)
Exchange difference arising in translation on translation of foreign operation	–	–	–	–	–	102,841	–	–	–	102,841	–	102,841
Fair value change of available for sale investments	–	–	–	(41,850)	–	–	–	–	–	(41,850)	–	(41,850)
Reclassify to profit or loss upon impairment of available for sale investment	–	–	–	51,661	–	–	–	–	–	51,661	–	51,661
Income tax relating to fair value change of available for sale investment	–	–	–	(1,619)	–	–	–	–	–	(1,619)	–	(1,619)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	(287,351)	–	–	–	(287,351)	(252)	(287,603)
Total comprehensive expense for the year	–	–	–	8,192	–	(184,510)	–	–	(302,169)	(478,487)	2,046	(476,441)
Issue of new shares	5,155	811,240	–	–	–	–	–	–	–	811,240	–	816,395
Capital injection to non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	–	5,750	5,750
Appropriation	–	–	–	–	1,473	–	8,028	–	(5,829)	3,672	(3,672)	–
Recognition of special reserve	–	–	–	–	–	–	–	6,250	–	6,250	–	6,250
At 31 December 2017	80,096	3,237,643	42,917	8,192	35,713	(177,642)	8,028	6,250	(71,302)	3,089,799	291,891	3,461,786

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2017

Notes:

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

(d) Discretionary special reserve represents the surplus in the school campus ancillary services specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus services. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets and liabilities of the special reserve would be treated similar to other assets and liabilities of the schools pursuant to 《中華人民共和國民辦教育促進法》 and 《中華人民共和國企業破產法》.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 **RMB'000**	2016 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(342,637)**	275,716
Adjustments for:		
Amortisation of intangible assets	**28,364**	8,734
Depreciation of property, plant and equipment	**58,492**	29,965
Loss on disposal of property, plant and equipment	**15,897**	–
Fair value change of financial assets measured at fair value through profit or loss	**204,884**	(357,297)
Interest income	**(7,261)**	(10,142)
Interest expense	**128,428**	43,371
Impairment on available for sale investments	**51,661**	–
Dividends received from financial assets measured at fair value through profit or loss	**(19,559)**	–
Share of result in joint ventures	**37,801**	4,516
Provision (reversal of provision) for obsolete and slow-moving inventories	**6,160**	16,692
(Reversal of) impairment loss recognised in respect of trade receivables	**(4,819)**	5,963
Write off of inventories	**–**	4,815
Gain on disposal of available for sale investment	**–**	(22,807)
Release of government grant	**(2,194)**	(1,089)
Release of prepaid lease payments	**6,933**	3,377
Unrealized foreign exchange gain/loss	**(88,338)**	–
Impairment on goodwill	**42,100**	–
Interests in associates	**(1,536)**	–
Gain on disposal of subsidiaries	**(23,560)**	–
Operating cash flows before movements in working capital	**90,816**	1,814
Increase in inventories	**(22,105)**	(127,878)
Increase in trade and other receivables	**(85,967)**	(111,254)
(Decrease) increase in trade and other payables	**(407,041)**	217,801
(Decrease) increase in advance from customers	**(937)**	42
(Decrease) increase in provision	**(16,700)**	4,275
(Decrease) increase in deferred income	**(22,052)**	20,824
Increase in financial assets measured at fair value through profit or loss	**(428,926)**	(801,242)
Increase in customer deposits for trading securities included in the restricted bank balance	**322,462**	–
Cash used in operations	**(570,450)**	(795,618)
Income tax paid	**(5,571)**	(6,185)
NET CASH USED IN OPERATING ACTIVITIES	**(576,021)**	(801,803)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Additions of property, plant and equipment	**(129,618)**	(71,366)
Payment for acquisition of intangible assets	**(943)**	(4,265)
Investments in joint ventures	**(261,401)**	(603,030)
Advance of loan receivables	**(487,982)**	(102,368)
Receipt of repayment of loan receivables	**70,222**	185,791
Grants received in relation to acquisition of property, plant and equipment	**16,900**	14,000
Net cash (outflows) inflows for acquisition of subsidiaries *(Note 40)*	**(23,088)**	93,783
Interest received	**7,261**	2,020
Dividends received from financial assets measured at fair value through profit or loss	**19,559**	–
Capital contribution to associates	**(2,000)**	–
Settlement of other receivable from the Disposed Group *(Note 40c)*	**29,756**	–
Proceeds from disposal of intangible assets	**406**	–
Net cash outflows upon disposal of subsidiaries	**(72)**	–
Receipt of payables relating to business acquisition *(Note 40)*	**(295,237)**	–
Proceeds from disposal of property, plant and equipment	**1,803**	923
Acquisition of prepaid lease payments	**(165)**	(33,205)
Purchase of financial assets measured at FVTPL	**(396,625)**	–
Repayment of amount due from a third party	**219,964**	–
Advance to a non-controlling shareholder of Xishan Schools	**(65,000)**	–
Proceeds from disposal of available for sale investment	**–**	86,762
Deposits placed for an investment	**(380,000)**	(13,300)
Acquisition of available for sale investments	**(596,152)**	(70,265)
Placement of restricted bank deposits	**(105,000)**	(222,180)
Release of restricted bank deposits	**222,180**	113,180
NET CASH USED IN INVESTING ACTIVITIES	**(2,155,232)**	(623,520)
FINANCING ACTIVITIES		
Advance to an associate	**–**	(1,635)
Advance from an associate	**228**	–
Capital injection from a non-controlling shareholder of subsidiaries	**5,750**	10,050
Interest paid	**(123,181)**	(43,371)
Dividend paid	**–**	(30,000)
New borrowings raised	**1,104,291**	1,012,056
Proceeds from issue of new shares	**–**	1,575,265
Repayment to a non-controlling shareholder of Xishan Schools	**(10,000)**	–
Issuance of convertible bonds, net of transaction costs	**656,357**	–
Repayment of bank borrowings	**(440,471)**	(675,310)
Loan from a joint venture	**852,040**	–
Advanced from a joint venture	**53,270**	499,990
Advance receipt in respect of share subscription in a subsidiary	**38,454**	–
NET CASH FROM FINANCING ACTIVITIES	**(2,136,738)**	2,347,045
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(594,515)**	921,722
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,324,651**	402,929
Effect of foreign exchange rate changes	**(35,690)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**694,446**	1,324,651
Cash and cash equivalents represented by		
Bank balances and cash	**686,477**	1,324,651
Security account balances	**7,969**	–
	694,446	1,324,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 47.

The functional currency of the Company is Hong Kong dollar ("**HK$**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), for a consistency presentation from prior years and therefore the directors consider that RMB is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. ADJUSTMENTS TO PROVISIONAL VALUES FOR BUSINESS COMBINATION IN 2016

Pursuant to HKFRS 3 "Business Combinations", if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

As further disclosed in Note 40f, the Group acquired 58.3% of the equity interest in Xishan Schools (as defined in Note 3) in November 2016. The Group recognised in its consolidated financial statements for the year ended 31 December 2016 provisional amounts of fair value of identifiable assets acquired and liabilities assumed and goodwill. During the current year (i.e. within the measurement period), the Group retrospectively adjusted the provisional amounts of Xishan Schools recognised at the acquisition date and recognised additional assets including intangible assets to reflect new information obtained about facts and circumstances that existed as of the acquisition date which have affected the measurement of the amounts recognised as of that date. The Group retrospectively adjusted the 2016 comparative information on the consolidated statement of financial position as at 31 December 2016 as follows:

The following tables summarise the impacts on the Group's consolidated financial statements:

In RMB'000		Impact of finalisation of valuation		
31 December 2016	As previously reported	Adjustment of valuation	Adjustment of taxation	As restated
Property, plant and equipment	816,654	(10,909)	–	805,745
Prepaid lease payments – current	3,669	2,992	–	6,661
Prepaid lease payments – non-current	171,333	107,736	–	279,069
Intangible assets	81,273	143,500	–	224,773
Goodwill	485,296	(89,494)	–	395,802
Trade and other receivables	1,031,193	(5,288)	–	1,025,905
Contingent consideration payable	–	13,814	–	13,814
Deferred tax liabilities	101,916	–	60,830	162,746
Non-controlling interest	213,874	73,893	–	287,767

Further details of the identifiable asset acquired and the liabilities assumed in related to the acquisition of Xishan Schools are set out in Note 40f to the consolidated financial statements. The adjustment to provisional values for business combination in 2016 made in the comparative figures had no impact to the Group's consolidated statement of financial position as at 1 January 2016 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, accordingly, the third consolidated statement of financial position is not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a material portion of the business through Fuzhou Xishan Education Management Company Limited* 福州市西山教育管理有限公司 ("**Xishan Education**"), Jinan Baofei Enterprise Management Company Limited* 濟南寶飛企業管理有限公司 ("**Jinan Baofei**") (collectively the "**School Sponsor**") and the schools# held by the School Sponsor ("**Consolidated Affiliated Entities**") in the PRC. The subsidiaries of the Company, Fuzhou Quanyue Education Consulting Company Limited* 福州全悦教育諮詢有限公司 ("**Fuzhou WOFE**") and Jinan First Capital Education Consulting Company Limited* 濟南首控教育諮詢有限公司 ("**Jinan WOFE**") (the "**WOFEs**"), have entered into contractual arrangements (the "**Contractual Arrangements**") with the School Sponsor 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 WOFEs;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. WOFEs may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of WOFEs; and
- obtain pledge over the entire equity interest of School Sponsor from their equity holders as collateral security for all of School Sponsor payments due to WOFEs and to secure performance of School Sponsor and their respective subsidiaries obligations under the Contractual Arrangements.

Details of the Contractual Arrangement in relation to Xishan group acquisition 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 Sponsor, 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 schools includes: Fuqing Xishan School, Fuqing Xishan Vocational and Technical School, Jiangxi Xishan School and Xishan Education Group collectively referred to as "**Xishan Schools**"), and Jinan Shijiyinghua Experiment School ("**Yinghua School**").

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

Except as described below, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's 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 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets of cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 50. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 50, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 which are relevant to the Group are as described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised 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 amortised 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 recognised 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 *Financial Instrument: Recognition and Measurement*. 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 recognised.

Classification and measurement

Financial assets carried at amortised costs as disclosed in Notes 27 and 28 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

Listed equity securities classified as available for sale investments carried at fair value as disclosed in Note 22. These securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, "available for sale reserve" of RMB9,811,000 together with the associated tax impact of RMB1,619,000 related to these available for sale investments will be transferred to "retained earnings (losses)" at 1 January 2018.

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 9 *Financial Instruments* (Cont'd)

Classification and measurement (Cont'd)

Equity securities classified as "available for sale investments" carried at cost less impairment as disclosed in Note 22 will be measured at FVTPL upon initial application of HKFRS 9. Any differences between the fair value and the carrying amount of these investments would be adjusted to "retained earnings (losses)" at 1 January 2018.

All other financial assets and liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loan and interest receivables, trade and other receivables and bank balances. Such further impairment recognised under expected credit loss model would reduce the opening "retained earnings (losses)" and increase the "deferred tax assets" at 1 January 2018.

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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.

Revenue from sales of goods

For the sales of goods, revenue is currently recognised following the guidance of HKAS 18, i.e. when the customers acknowledged the receipt of goods, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under HKFRS 15, revenue will be recognised when a customer obtains control of the goods. Sales of goods will continue to be measured on the same bases as are currently measured under HKAS 18.

The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its current practice.

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 15 *Revenue from Contracts with Customers* (Cont'd)

Revenue from provision of financial and advisory services

For the provision of financial and advisory services, revenue is currently recognised when the services are provided.

Under HKFRS 15, the total consideration in the service contracts will be allocated to all services based on their standalone selling prices. The standalone selling prices will be determined based on the list prices at which the Group offers the services in separate transactions.

Based on the Group's assessment, the fair value and the standalone selling prices of the services are broadly similar. Accordingly, the Group does not expect the application of HKFRS 15 is likely to result in significant differences in the timing of revenue recognition for the services.

Revenue from provision of schooling services

The service income from provision of schooling services currently recognised proportionately over the relevant period of the applicable program under HKAS18 will be measured on the same bases, i.e. over the period of time.

For certain curriculums when the students elects to make the prepayment option, the Group concluded that they contain a significant financing component because of the length of time between when the students pays for the services and when the Group transfers services to the customers are over one year. The transaction price for such contracts will be determined by discounting the amount of promised consideration using the appropriate discount rate. When HKFRS 15 is adopted, adjustments to the current reporting period are expected such that deferred revenue (presented under HKFRS 15 as non-current portion of "**contract liabilities**") would be increased reflecting the adjustment of the promised amount of consideration by the interest, with a related increase in the finance costs for 2017 and a decrease in opening "retained earnings (losses)". In addition, the Group would reclassify certain portion of the deferred revenue presented under current/ non-current liabilities to the current/non-current portions of "contract liabilities", respectively.

For those contract which the length of time between when the student pays for the program and the Group transfers services to the student is relatively short, the Group has concluded that there is no significant financing component in these contracts. Accordingly, the Group does not expect the application of HKFRS 15 is likely to result in significant differences in the timing of revenue recognition for these services.

4. APPLICATION OF NEW AND REVISED HONG KONG ACCOUNTING STANDARDS ("HKASs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

The total operating lease commitments of the Group in respect of leased premises as at 31 December 2017 are set out in Note 41.

In addition, the Group currently considers refundable rental deposits paid of RMB7,086,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

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 the consolidated financial statements as right-of-use assets and lease liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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 by the Hong Kong Companies Ordinance ("**CO**").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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 *leases*, 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicated that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity thereon.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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.

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 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 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

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 are initially measured at the non-controlling interests' proportionate share of recognised amounts of the acquiree's identifiable net assets or at fair value. 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 recognised 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 recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

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 (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Interests 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. Change in net assets of the associates/joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 or joint venture), 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in associates and joint ventures (Cont'd)

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. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Service income from provision of finance operation services business is recognised when services are provided.

The service income from education operation business mainly includes tuition fees and boarding fees, and management and consulting fee; tuition and boarding fees received are generally paid in advance 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. Management and consultancy fees are recognised when services are provided.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a time apportionment 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.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

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".

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate or a joint venture that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange difference accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 '(loss) 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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 (see the accounting policy in respect of goodwill above)

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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets other than goodwill (Cont'd)

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment 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.

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.

The amount recognised as a provisions is 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. 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.

Financial assets

Financial assets are classified as available for sale ("**AFS**") financial assets, loans and receivables and financial assets at fair value through profit or loss ("**FVTPL**"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at FVTPL (Cont'd)

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 excludes any dividend earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 46.

AFS 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 FVTPL.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investment whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in the other comprehensive income and accumulated under the heading of "available for sale reserves". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the "available for sale reserves" is reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

AFS financial assets (Cont'd)

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, security account balances and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For certain categories of financial assets, such as trade and other receivables and loan receivables, assets that are assessed on individual 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 of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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 and interest receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable or loan and interest 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 "available for sale reserves".

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity is 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.

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.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL, or (iii) contingent consideration that may be paid by the acquirer as part of a business combination to which HKFRS3 applies.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at FVTPL (Cont'd)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured 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 on the financial liabilities is included in the 'other gains and losses' line item.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings, amount due to an associate, amount due to a joint venture, convertible bonds and long term payables are subsequently measured at amortised cost, using the effective interest method.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition (Cont'd)

Convertible bonds contains liability component, conversion option and conversion-veto option components

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

At the date of issue, the liability, conversion option and conversion-veto option are recognised at fair value.

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

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

6. CRITICAL ACCOUNTING JUDGEMENT 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 judgements, 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.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual arrangement

The Group conducts a substantial 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.

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 WOFE, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable. Changes in market conditions or interpretation of the PRC laws and regulations in future may have a material impact on the assessment of control over the Consolidated Affiliated Entities.

Business combination

During the year ended 31 December 2017, the Group has completed the purchase price allocation for acquisition of Xishan Schools and Stirling Coleman. The purchase price allocation exercises require judgement to be exercised by the directors of the Company in identifying assets and liabilities of the acquirees that exist as at the date of acquisition and measured at fair value. In particularly, the judgements result in the recognition of intangible assets, contingent consideration and goodwill.

In accounting for the business combination, the amount derived in arriving at the fair value of the identified assets and recognised liabilities is sensitive to the underlying assumptions around forecasted future cash flows, and the discount rates applied in respective valuations. The fair values of the identified assets (including intangible assets with indefinite useful lives) and liabilities along with goodwill are set out in the Note 40a, f.

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

Key sources of estimation uncertainty

The following are the 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) Estimated impairment of goodwill and intangible assets with indefinite useful lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill and intangible assets with indefinite useful lives has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, further impairment loss may arise. As at 31 December 2017, the carrying amounts of goodwill and intangible assets with indefinite useful lives were RMB407,480,000 before impairment (2016: RMB395,802,000, as restated) and RMB57,737,000 (2016: nil), respectively. An impairment loss of RMB42,100,000 (2016: nil) has been recognised on goodwill and no impairment (2016: nil) was recognised on the intangible assets with indefinite useful lives for the year ended 31 December 2017. Details of the impairment testing on goodwill and intangible assets with indefinite useful lives are disclosed in Notes 24 and 21 respectively.

(b) 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 37.

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

The Group makes allowance for doubtful debts, including trade and other receivables and loan and interest receivables based on an assessment of the recoverability of relevant debts. Allowances are made on the trade and other receivable and loan and interest receivables whenever there is any objective evidence that the balances may not be collectible. The Group makes judgement in assessing the collectability based on aged analysis and other observable data including historical collection trends, and the likelihood of collections from debtors after taking periodic follow-up actions. When objective evidence for allowance exists, the amount of allowance is determined at the difference between the carrying amounts of the trade and other receivable, loan and interest receivables and the present value of estimated future cash flows, discounted at the original effective interest rate. The process of assessment involves material estimate made by the management. Where the expectation on the recoverability of the trade and other receivable, loan and interest receivables is different from the original estimate, such difference will impact the carrying amounts of trade and bills receivables and other receivables and expenses arising from allowance for doubtful debts in the period in which such estimate has been changed.

The carrying amounts of trade and other receivables and loan and interest receivables are set out in Notes 27 and 28, respectively. Details of additional or reversal of impairment on trade debts or other debts are set out in Notes 9 and 27.

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

Key sources of estimation uncertainty (Cont'd)

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group. Details of the movement of property, plant and equipment and the estimated useful lives are set out in Note 17.

(e) Estimated impairment of inventories

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

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

The carrying amount of inventories is set out in Note 26. During the year ended 31 December 2017, impairment loss of RMB6,160,000 for obsolete and slow-moving inventories was provided (2016: RMB21,507,000).

(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. No impairment loss on property, plant and equipment has been recognised during the year ended 31 December 2017. As at 31 December 2017, the carrying amount of property, plant and equipment is set out in Note 17.

(g) Valuation of the embedded derivatives in convertible bonds

The fair values for the embedded derivatives in convertible bonds are established by using valuation techniques. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of the personnel that developed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. However, it should be noted that some inputs, such as credit risk, volatility of share price and dividend yield of the Company, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in Note 35.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from automotive parts business, financial services business, and education operation business. An analysis of the Group's revenue is as follows:

	2017	2016
	RMB'000	RMB'000
Automotive parts business	**1,530,210**	1,379,236
Financial services business	**95,571**	58,270
Education operation business	**239,466**	36,553
	1,865,247	1,474,059

(a) Products and services within each operating segment

The segment information reported was determined by the types of products and services and the types of customers to which the products are sold and services are provided, which is consistent with the internal information that are regularly reviewed by the executive Directors, who are the chief operating decision makers (the "**CODM**") of the Group, for the purposes of resource allocation and assessment of performance.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2017

7. REVENUE AND SEGMENT INFORMATION (Cont'd)
(b) Segment revenue and segment results

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

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

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

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

(c) Geographical information

The Group principally operates in the PRC.

No material non-current assets of the Group are located outside the PRC. 94% (2016: 95%) of the Group's revenue from external customers was derived from the PRC.

7. 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 for the year ended 31 December 2017 and 2016 are as follows:

	2017 RMB'000	2016 RMB'000
Automotive parts business		
– Customer A	**447,901**	393,046
– Customer B	**165,216**	163,600

8. OTHER INCOME AND EXPENSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

9. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Reversal of (allowance for) doubtful trade receivables, net *(Note 27)*	**4,819**	(5,963)
Donation	**(2,239)**	(370)
Exchange gain (loss), net	**82,652**	(4,203)
Government grants *(Note a)*	**7,643**	4,196
Release of asset-related government grants *(Note 36)*	**2,194**	1,089
Provision on inventories, net *(Note b)*	**(6,160)**	(21,507)
Gain on disposal of scrap	**3,971**	3,549
Investment gains *(Note c)*	**19,559**	–
Gain on disposal of subsidiaries *(Note 40)*	**23,560**	–
Impairment loss on goodwill *(Note 24)*	**(42,100)**	–
Loss on disposal of a joint venture *(Note d)*	**–**	(926)
Loss on disposal of property, plant and equipment	**(15,897)**	–
Other interest income	**3,516**	4,098
Impairment loss on available for sale investment	**(51,661)**	–
Gain on disposal of available for sale investment	**–**	22,807
Gain (loss) on disposals of financial assets measured at FVTPL	**134,049**	(2,403)
Others	**(3,462)**	1,308
	160,444	1,675

Note:

a. 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 unconditional and immediate financial support with no future related costs nor related to any assets.

b. During the year ended 31 December 2017, an amount of provision on obsolete inventories amounting to RMB14,923,000 (2016: RMB23,382,000) and a reversal of RMB8,763,000 (2016: RMB1,875,000) upon realisation of sales was made.

c. Amounts represent dividend received from financial assets measured at fair value through profit or loss.

d. As at 7 January 2016, Guolian Financial Holding Group Co., Limited ("**CF 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 from 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 its entire equity interests in GF Holding 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 investment cost at the date of the disposal during the year ended 31 December 2016.

10. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

11. FINANCE COSTS

	2017	2016
	RMB'000	RMB'000
Interest on:		
– Bank borrowings	**23,206**	32,036
– Other borrowings	**99,177**	11,191
– Convertible bonds wholly repayable within five years *(Note 35)*	**3,358**	–
– Long-term payables, at effective interest rate *(Note 38)*	**2,636**	104
	128,377	43,331
Accretion on other payables *(Note 32)*	**51**	40
	128,428	43,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

12. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2017 **RMB'000**	2016 RMB'000
Employee benefits expenses (including directors):		
– salaries and other benefits	**267,296**	198,433
– retirement benefit scheme contributions	**25,017**	15,050
Total staff costs	**292,313**	213,483
Auditor's remuneration	**4,321**	2,858
Amortisation of intangible assets (included in "cost of services")	**28,364**	8,734
Cost of inventories recognised as expenses (included in "cost of sales" and "research and development expenditure")	**1,276,547**	1,085,173
Depreciation of property, plant and equipment	**58,492**	29,965
Release of prepaid lease payments	**6,933**	3,377

13. TAXATION

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

The current income tax expense for the years ended 31 December 2017 and 2016 mainly 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 operating 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 25% from 1 January 2008 onwards.

13. TAXATION (Cont'd)

On 15 December 2009, a major subsidiary, Nanyang Cijan Automobile Absorber Co., Ltd. ("**Nanyang Cijan**") obtained "High and New Technology Enterprise" 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 "High and New Technology Enterprise" status has been renewed in 2015 for another 3 years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017 and 2016.

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

The tax charge for the years ended 31 December 2017 and 2016 can be reconciled to the (loss) profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	RMB'000	RMB'000
(Loss) profit before tax	**(342,637)**	275,716
Tax at 25% (2016: 25%)	**(85,660)**	68,929
Tax effect of tax losses not recognised	**70,127**	35,278
Tax effect of expenses not deductible for tax purpose	**13,035**	4,938
Tax effect of income not taxable for tax purpose	**(10,162)**	(2,101)
Tax effect of additional qualified expenses deductible for tax purpose *(Note)*	**(5,772)**	(5,425)
Effect of tax concessions granted to a PRC subsidiary	**280**	(5,575)
Utilisation of tax losses previously not recognised	**(14,855)**	(50)
Tax effect of different tax rate in other jurisdiction	**(8,386)**	(23,320)
Tax effect of withholding tax provision on undistributed profits of a PRC subsidiary	**(1,373)**	7,706
Withholding tax paid on dividends declared and paid	**–**	7,060
	(42,766)	87,440

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 2017

	Fees RMB'000	Discretionary bonus* RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Dr. Wilson Sea	174	2,601	2,601	–	5,376
Mr. Tang Mingyang	174	2,601	2,601	–	5,376
Mr. Zhao Zhijun	–	–	527	15	542
Ms. Li Dan	174	2,566	1,249	–	3,989
Mr. Yan Haiting (resigned on 1 February 2018)**	174	902	1,249	173	2,498
Non-executive director					
Mr. Li Hua	130	–	–	–	130
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	156	–	–	–	156
Dr. Li Zhiqiang	156	–	–	–	156
Mr. Chen Gang	156	–	–	–	156
	1,294	8,670	8,227	188	18,379

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

** Dr. Zhu Huanqiang was appointed as executive director on the same day.

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

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

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					
Dr. Wilson Sea	171	4,286	2,572	–	7,029
Mr. Tang Mingyang (with effect from 1 April 2016)	129	4,074	1,929	–	6,132
Mr. Zhao Zhijun	174	820	532	14	1,540
Ms. Li Dan (with effect from 1 September 2016)	57	3,704	411	–	4,172
Mr. Yan Haiting	171	1,851	1,234	258	3,514
Mr. Wang Wenbo (resigned on 1 April 2016)	42	351	180	5	578
Ms. Yang Weixia (resigned on 1 September 2016)	130	486	180	11	807
Non-executive Director					
Mr. Li Hua (with effect from on 1 April 2016)	96	–	–	–	96
Independent non-executive Directors					
Mr. Chu Kin Wang, Peleus	154	–	–	–	154
Dr. Li Zhiqiang	154	–	–	–	154
Mr. Chen Gang (with effect from on 1 September 2016)	51	–	–	–	51
Mr. Zhang Jinhua (resigned on 1 September 2016)	103	–	–	–	103
	1,432	15,572	7,038	288	24,330

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

None of the directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2017 included 3 (2016: 4) directors. The remunerations of the remaining highest paid individuals other than the directors are as follows:

	2017 RMB'000	2016 RMB'000
Employees		
– salaries and other benefits	4,546	216
– discretionary bonus*	5,168	1,145
– retirement benefits scheme contributions	41	–
– incentive payments and other benefits	–	1,580
	9,755	2,941

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

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	2017	2016
HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,601,300 to RMB3,034,850)	–	1
HK$4,000,001 to HK$4,500,000 (equivalent to approximately RMB3,468,401 to RMB3,901,950)	–	1
HK$4,500,001 to HK$5,000,000 (equivalent to approximately RMB3,901,951 to RMB4,335,500)	2	1
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,202,601to RMB5,636,150)	2	–
HK$6,500,001 to HK$7,000,000 (equivalent to approximately RMB5,636,151to RMB6,069,700)	1	–
HK$7,000,001 to HK$7,500,000 (equivalent to approximately RMB6,069,701to RMB6,503,250)	–	1
HK$8,000,001 to HK$8,500,000 (equivalent to approximately RMB6,936,801to RMB7,370,350)	–	1
	5	5

During the year ended 31 December 2017, 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 (2016: RMB1,580,000 was paid by the Group to one of five highest paid individuals who was not holding directorship as an inducement to join the office).

15. DIVIDENDS

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

16. (LOSS) EARNINGS PER SHARE

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

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

Note:

On 28 February 2017, each of the issued and unissued shares of HK$0.10 each in the share capital of the Company has been subdivided into 5 shares of HK$0.02 each, details of which were set out in the Company's announcements dated 27 January, 27 February 2017 and 28 February 2017 and the Company's circular dated 10 February 2017.

The earnings per Share for the year ended 31 December 2016 has been adjusted for the share subdivision made during the year ended 31 December 2017.

For the year ended 31 December 2017, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds as it would result in a decrease in loss per share.

For the year ended 31 December 2016, no diluted earnings per share was presented as there was no potential ordinary share outstanding during the year or as at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture fixture and equipment RMB'000	Machinery RMB'000	Leasehold Improvement RMB'000	Others* RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2016	277,191	11,188	5,967	183,598	2,063	58,096	890	538,993
Additions	30,903	3,059	960	3,100	918	4,806	31,755	75,501
Addition through acquisition of subsidiaries *(Note 40)*	240,833	4,469	56,931	2,128	–	164	3,484	308,009
Transfer from construction in progress	13,229	–	91	5,167	–	(3,453)	(19,169)	(4,135)
Disposal	–	(105)	–	(823)	–	(210)	–	(1,138)
Exchange realignment	–	(5)	(84)	(48)	–	–	–	(137)
At 31 December 2016 (as previously reported)	562,156	18,606	63,865	193,122	2,981	59,403	16,960	917,093
Adjustment of valuation *(Note 2)*	(5,847)	–	(5,062)	–	–	–	–	(10,909)
At 31 December 2016 (restated)	556,309	18,606	58,803	193,122	2,981	59,403	16,960	906,184
Additions	30,445	1,502	12,029	48,543	1,344	10,375	25,380	129,618
Addition through acquisition of subsidiaries *(Note 40)*	–	–	264	–	–	–	–	264
Transfer from construction in progress	1,998	–	3,865	8,786	–	7,368	(22,017)	–
Disposal	(3,068)	(765)	(4,054)	(33,868)	(299)	–	–	(42,054)
Disposal of an subsidiary *(Note 40)*	–	–	(1,050)	–	–	–	–	(1,050)
Exchange realignment	1,298	(147)	(194)	96	(172)	–	–	881
At 31 December 2017	586,982	19,196	69,663	216,679	3,854	77,146	20,323	993,843
ACCUMULATED DEPRECIATION								
At 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)
Provided for the year	(25,882)	(3,388)	(6,147)	(16,276)	(1,212)	(5,587)	–	(58,492)
Eliminated on disposal	33	341	13	23,899	68	–	–	24,354
Exchange realignment	(19)	21	73	(39)	83	–	–	119
At 31 December 2017	(48,806)	(8,191)	(9,389)	(50,420)	(2,468)	(15,184)	–	(134,458)
CARRYING VALUES								
At 31 December 2016 (as previously reported)	539,218	13,441	60,537	135,118	1,574	49,806	16,960	816,654
At 31 December 2016 (restated)	533,371	13,441	55,475	135,118	1,574	49,806	16,960	805,745
At 31 December 2017	538,176	11,005	60,274	166,259	1,386	61,962	20,323	859,385

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

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

As at 31 December 2017, amounted to approximately RMB376,878,000 (2016: RMB265,156,000) of buildings have not obtained property ownership certificate.

Property, plant and equipment was restated upon completion of valuation of the acquisition of a subsidiary as set out in Note 2, with RMB10,909,000 adjusted downward.

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	5–7 years
Machinery	1–15 years
Leasehold improvement	Over the shorter of the term of lease or 5–7 years
Others	3–20 years

18. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2016	137,161
Addition	33,205
Addition through acquisition of subsidiaries *(Note 40)*	8,013
Charged for the year	(3,377)
At 31 December 2016 (as previously reported)	175,002
Adjustment of valuation *(Note 2)*	110,728
At 31 December 2016 (restated)	285,730
Addition	165
Charged for the year	(6,933)
At 31 December 2017	278,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

18. PREPAID LEASE PAYMENTS (Cont'd)

	2017 RMB'000	2016 RMB'000 (restated)	2016 RMB'000 (as previously reported)
Analysed for reporting purposes:			
Current assets	**6,803**	6,661	3,669
Non-current assets	**272,159**	279,069	171,333
	278,962	285,730	175,002

Prepaid lease payments are released to profit or loss over the lease terms ranging between 48 to 50 years.

Prepaid lease payments was restated upon completion of valuation of the acquisition of Xishan Schools as set out in Note 2, with RMB110,728,000 adjusted upward.

As at 31 December 2017, approximately RMB115,721,000 (2016: RMB8,013,000) of leasehold land has not obtained land certificate.

19. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investment in associates	**4,500**	2,500
Share of result and other comprehensive income	**1,536**	–
	6,036	2,500

a. Zhejiang Xichuan Shock Absorber Company Limited*

浙江淅川減振器有限公司 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.

19. INTERESTS IN ASSOCIATES (Cont'd)

a. Zhejiang Xichuan Shock Absorber Company Limited* (Cont'd)

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

	2017	2016
	RMB'000	RMB'000
Current assets	**21,891**	10,436
Non-current assets	**5,792**	2,676
Current liabilities	**(11,540)**	(2,671)
	16,143	10,441
Revenue	**37,761**	420
Profit and total comprehensive income for the year	**5,702**	153

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:

	2017	2016
	RMB'000	RMB'000
Net assets of Zhejiang Cijan	**16,143**	10,441
Proportion of the Group's ownership interest in Zhejiang Cijan	**25%**	25%
Carrying amount of the Group's interest in Zhejiang Cijan, adjusted by unrealised profit (if any)	**4,036**	2,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

19. INTERESTS IN ASSOCIATES (Cont'd)

b. Jinluyuda Education Management Co., Limited*

金路育達教育管理有限責任公司 Jinluyuda Education Management Co., Limited* (the "**Jinluyuda**") was established in the PRC with a registered capital of RMB50,000,000 in 2017 and is engaged in the education investment and consulting service. Jinluyuda is owned as to 20% by the Group and 80% by other investors. As at 31 December 2017, RMB10,000,000 was paid up by respective investors in proportion to their shares. The Group is able to exercise significant influence over Jinluyuda because it has the power to appoint one executive director of Jinluyuda pursuant to the Articles of Association of Jinluyuda.

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

	2017
	RMB'000
Current assets	**10,000**
Revenue	**–**
Profit and other comprehensive income	**–**

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

	2016
	RMB'000
Net assets of Jinluyuda	10,000
Proportion of the Group's ownership interest in Jinluyuda	20%
Carrying amount of the Group's interest in Jinluyuda	2,000

20. INTERESTS IN JOINT VENTURES

	2017 **RMB'000**	2016 RMB'000
Cost of interests in joint ventures	**861,430**	603,029
Share of results and other comprehensive expenses	**(41,794)**	(4,516)
	819,636	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 Incorporation/ establishment	Proportion of ownership interest held by the Group 2017	Proportion of ownership interest held by the Group 2016	Principal activities
Wuxi Guolian First Capital Equity Investment Fund Centers (Limited Partnership)* ("**FC Guolian**") 無錫國聯首控股權投資基金中心(有限合夥)	PRC	**30%**	30%	Equity investment
Wuxi First Capital Lianxin Investment Center (Limited Partnership)* ("**FC Lianxin**") 無錫首控聯信投資中心(有限合夥)	PRC	**60%**	60%	Investment management
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	**N/A** ***(Note a)***	60%	Investment management
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	**20%**	20%	Equity investment
Shenzhen Shouzhong Education Development Company (Limited Partnership)* ("**Shouzhong Education**") 深圳首中教育產業發展股權投資企業(有限合夥)	PRC	**60%**	60%	Equity investment
First Capital Fund Management Wuxi Limited* ("**FC Wuxi**") 首控基金管理無錫有限公司	PRC	**60%**	60%	Investment management
Singapore Raffles Music College Pte. Ltd. ("**SRMC**") 新加坡萊佛士音樂學院有限公司	Singapore	**40%** ***(Note b)***	N/A	Education services
Chongqing First Capital Cultural Investment Equity Investment Fund (Limited Partnership)* ("**FC Wentou**") 重慶首控文投股權投資基金合夥企業(有限合夥)	PRC	**50.08%**	N/A	Equity investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

20. INTERESTS IN JOINT VENTURES (Cont'd)

Notes:

a. On 24 April 2017, the Group has acquired remaining 40% shares of FC Dingge at cost of RMB1,662,000. Upon completion, FC Dingge became a wholly-owned subsidiary of the Group and the corresponding interest relating to FC Dingge prior to obtaining the control by the Group was reclassified out from the investment costs and cumulative share of results of RMB523,000 recognised in "interests in joint ventures". Details of the acquisition was set out in Note 40.

b. On 12 April 2017, the Group has acquired 40% shares of SRMC at consideration of Singapore dollar ("**SGD**")7,155,000 (equivalent to approximately RMB34,144,000).

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 have control over the entities and have rights to the net assets of the entities, these entities are therefore classified as the joint ventures of the Group.

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2017 prepared in conformity with HKFRSs are as below:

	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	Shouzhong Education RMB'000	FC Wuxi RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2017							
Current assets	305,851	9,847	1,012,055	534,667	231	24,694	214,884
– cash and cash equivalent	164	847	12	89	17	12,730	212,451
Non-current assets	650,000	–	3,300	69	52	9,234	280,669
Current liabilities	–	–	(167,666)	(18,270)	(33)	(8,565)	(1,806)
Non-current liabilities	–	–	–	(6,910)	–	(332)	–
Revenue	–	–	–	–	–	7,817	–
Loss and total comprehensive expense for the year	(11,680)	(105)	(152,428)	(329)	(2,879)	(2,197)	(1,943)

	FC Guolian RMB'000	FC Lianxin RMB'000	FC Dingge RMB'000	Zhuhai Education RMB'000	Shouzhong Education RMB'000	FC Wuxi RMB'000
At 31 December 2016						
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 and total comprehensive expense for the year	(7,479)	–	(872)	–	(1,278)	(1,871)

20. INTERESTS IN JOINT VENTURES (Cont'd)

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

	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	Shouzhong Education RMB'000 *(Note a)*	FC Wuxi RMB'000	SRMC RMB'000	FC Wentou RMB'000 *(Note b)*	Total RMB'000
At 31 December 2017								
Net assets of each joint venture	955,851	9,847	847,689	509,555	250	25,031	493,747	N/A
Proportion of the Group's ownership interest in each joint ventures	30%	60%	20%	60%	60%	40%	50.08%	N/A
The Group's share of net assets of each joint ventures	286,755	5,908	169,538	305,733	150	10,012	247,268	N/A
Consideration premium	-	-	-	-	-	24,050	-	N/A
Adjustments	(1,529)	-	-	(61,478)	-	-	(166,771)	N/A
Carrying amount of the Group's interest in each joint ventures	285,226	5,908	169,538	244,255	150	34,062	80,497	819,636
The Group's share of losses in each joint venture	(3,485)	(63)	(30,486)	(198)	(1,727)	(879)	(963)	(37,801)

	FC Guolian RMB'000	FC Lianxin RMB'000	FC Dingge RMB'000	Zhuhai Education RMB'000	Shouzhong Education RMB'000 *(Note a)*	FC Wuxi RMB'000	Total RMB'000
At 31 December 2016							
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%	60%	60%	N/A
The Group's share of net assets of each joint ventures	290,256	6,000	2,477	100,000	239,269	1,877	N/A
Adjustment	(1,488)	–	–	–	(39,878)	–	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 ventures	(2,232)	–	(523)	–	(639)	(1,122)	(4,516)

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For the year ended 31 December 2017

20. INTERESTS IN JOINT VENTURES (Cont'd)

Note:

a. At 31 December 2017 and 2016, the adjustment represents certain investment gains/losses arising from designated projects which are undertaken by other investment partners pursuant to partnership agreement and the Group agreed not to share the results in proportionate to its equity interest in the joint venture.

b. At 31 December 2017, the adjustment represents the capital contribution which committed by the Group to the joint venture but yet paid.

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	Capital market service licence RMB'000	Financial business brand RMB'000	Total RMB'000
COST									
At 1 January 2016	10,466	555	419	–	–	–	–	–	11,440
Additions									
– through purchase	–	–	–	4,265	–	–	–	–	4,265
– through acquisition of businesses *(Note 40)*	–	–	–	–	49,947	35,376	–	–	85,323
At 31 December 2016 (as previously reported)	10,466	555	419	4,265	49,947	35,376	–	–	101,028
Adjustment of valuation *(Note 2)*	–	–	–	–	26,047	117,453	–	–	143,500
At 31 December 2016 (Restated)	10,466	555	419	4,265	75,994	152,829	–	–	244,528
Additions									
– through purchase	–	–	–	943	–	–	–	–	943
– through acquisition of businesses *(Note 40)*	–	–	–	–	–	–	1,455	56,651	58,106
Disposal	–	–	(419)	–	–	–	–	–	(419)
Exchange realignment	–	–	–	–	–	–	(9)	(360)	(369)
At 31 December 2017	10,466	555	–	5,208	75,994	152,829	1,446	56,291	302,789
AMORTISATION									
At 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)
Charge for the year	–	–	–	(261)	(7,733)	(20,370)	–	–	(28,364)
Disposal	–	–	13	–	–	–	–	–	13
At 31 December 2017	(10,466)	(555)	–	(281)	(12,826)	(23,978)	–	–	(48,106)
CARRYING VALUES									
At 31 December 2016 (as previously reported)	–	–	406	4,245	44,854	31,768	–	–	81,273
At 31 December 2016 (Restated)	–	–	406	4,245	70,901	149,221	–	–	224,773
At 31 December 2017	–	–	–	4,927	63,168	128,851	1,446	56,291	254,683

21. INTANGIBLE ASSETS (Cont'd)

Intangible assets having finite useful lives:

Below items 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	7-10 years
Student roster	12-14 years
School brand	12-14 years

Intangible assets having indefinite useful lives:

Capital market service licence has a legal life of 10 years but is renewable every 10 years at minimal cost. The license entitles the Group to provide the service in the capital market of Singapore from the date of acquisition.

Financial business brand has a legal life of 10 years and it can be renewed at minimal cost.

As a result, the "capital market service licence" and "financial business brand" is considered by directors of the Group as having an indefinite useful life because both are expected to contribute to net cash inflows indefinitely. At 31 December 2017, the Group has conducted impairment assessment of "capital market service licence" and "financial business brand" as a result from acquisition of Stirling Coleman, the methodology and assumptions used were same as those for impairment of goodwill relevant to CUG Stirling Coleman as disclosed in Note 24. No impairment on these intangible assets was recognised for the year ended 31 December 2017.

22. AVAILABLE FOR SALE INVESTMENTS

	2017 **RMB'000**	2016 RMB'000
Investments:		
– at cost less impairment	**165,234**	70,265
– at fair value	**450,950**	–
	616,184	70,265
Analysed for reporting purposes as:		
Non-current assets	**616,184**	70,265

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22. AVAILABLE FOR SALE INVESTMENTS (Cont'd)

The unlisted investments measured at cost less impairment mainly include:

(i) As at 31 December 2017, the carrying amount of RMB100,318,000 (2016: RMB69,782,000), represents the investment in a limited partnership incorporated in the United States, GSV Acceleration Fund I, L.P. ("**GSV Fund**"). The primary purpose of the GSV Fund is to make venture capital investment, 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 realisation of human capital potential. As at 31 December 2017, the net value of GSV is higher than the investment cost and no impairment is recognised.

(ii) As at 31 December 2017, included in the investments are RMB64,916,000 representing the investment in a entity incorporated in the United States, AltSchool, PBC ("**AltSchool**"). The primary purpose of the AltSchool is to build a technology-enabled network to empower and connect families, students, and teachers and run a network of tuition-funded pre-kindergarten through 8th-grade lab schools throughout the San Francisco Bay Area and New York City.

The both investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is significant that the fair values cannot be measured reliably.

The investments measured at fair value include:

(i) During the year ended 31 December 2017, the Group invested Australian dollar ("**AUD**") 63,841,784 in G8 Education Limited ("**G8 Education**"), a company listed in Australian Securities Exchange and providing quality care and education facilities across Australia and Singapore. During the year ended 31 December 2017, the Group disposed 8,650,435 shares of G8 Education with a loss of AUD2,651,000 (equivalent to RMB13,724,000) recognised. At 31 December 2017, the Group held 16,003,633 shares of G8 Education and recognised at fair value by reference to the quoted price of G8 Education at AUD53,862,407 (equivalent to RMB274,310,000).

(ii) As at 31 December 2017, included in the investments are RMB176,640,000 representing the investment in securities of companies listed in the Stock Exchange of Hong Kong Limited.

23. DEPOSITS FOR INVESTMENTS

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

	2017 **RMB'000**	2016 RMB'000
雲南藝術學院文華學院 (Wenhua College of Yunnan Art University*) *(Note a)*	**380,000**	–
北京中際育才國際管理顧問有限公司 (Beijing Zhongjiyucai International Management Consultancy Limited*) *(Note b)*	**–**	18,270
廣州中星集團有限公司 (Guangzhou Zhongxing Group Limited*) *(Note b)*	**–**	100,000
北京世紀中天科技發展有限公司 (Beijing Shijizhongtian Technology Development Limited*) *(Note b)*	**–**	30,000
昆明職業藝術學院 (Kunming Professional College of Arts*) *(Note c)*	**–**	13,300
	380,000	161,570

* The English name is for identification purpose only.

Notes:

a. At 31 December 2017, the deposits paid is held by Intermediate People's Court of Kunming City, Yunnan Province 雲南省昆明市中級人民法院 for acquiring 100% interest in 雲南藝術學院文華學院 through an open auction.

b. At 31 December 2016, Shouzhong Education, a joint venture of the Group made the deposits payments on the Group's behalf and the fund advanced from Shouzhong Education was recognised as "amount due to a joint venture" (Note 33).

During the year ended 31 December 2017, the Group and Shouzhong Education entered into contracts agreeing that the deposits to be set off against the due balance recognised as "amount due to a joint venture". Upon effective of the agreement, the corresponding amount due to a joint venture was set off and derecognised.

c. During the year ended 31 December 2017, the investment is terminated and the deposit was subsequently transferred to be a loan to third party through a bank in the PRC at the direction of the Group. The amount is recognised as loan receivable as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

24. GOODWILL

	2017 RMB'000	2016 RMB'000 (restated) *(Note 2)*	2016 RMB'000 (as previously reported)
COST			
At 1 January	395,802	29,655	29,655
Arising on acquisition of businesses *(Note 40)*	11,753	366,147	455,641
Exchange realignment	(75)	–	–
At 31 December	407,480	395,802	485,296
IMPAIRMENT			
At 1 January	–	–	–
Impairment loss recognised in the year	(42,100)	–	–
At 31 December	(42,100)	–	–
CARRYING VALUES			
At 31 December	365,380	395,802	485,296

For the purposes of impairment testing, goodwill has been allocated to five 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 Schools:	engages in providing K-12 Education and vocational education services in the PRC
CGU Stirling Coleman*:	engages in offering corporate finance services to small and medium-sized enterprises including initial public offerings and follow-on offerings on Singapore Stock Exchange, independent financial advisory for Singapore listed companies, advice on mergers and acquisitions of both listed and privately owned companies in and outside Singapore.

* As defined in Note 47.

** Brilliant Rich Holdings Limited ("**Brilliant Rich**").

24. GOODWILL (Cont'd)

The carrying amounts of goodwill as at 31 December 2017and 2016 allocated to these CGUs are as follows:

Goodwill

	2017	2016	2016
	RMB'000	RMB'000	RMB'000
		(restated)	
CGU Nanyang Cijan	**29,655**	**29,655**	29,655
CGU Brilliant Rich	**59,663**	**101,763**	101,763
CGU Jinan Baofei	**61,638**	**61,638**	61,638
CGU Xishan Schools	**202,746**	**202,746**	292,240
CGU Stirling Coleman	**11,678**	**–**	–
Total	**365,380**	**395,802**	485,296

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

Nanyang Cijan

The recoverable amount of this CGU 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 15.41% (2016: 10.93%). Unit Nanyang Cijan's cash flows beyond the 5-year period are extrapolated using a growth rate of 1.94% (2016: 2.21%). 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 Nanyang Cijan to exceed the aggregate recoverable amount of the CGU.

Brilliant Rich

The recoverable amount of this CGU 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% (2016: 30%). Unit Brilliant Rich's cash flows beyond the 5-year period are extrapolated using a steady 3% (2016: 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.

During the year ended 31 December 2017, the Group recognised an impairment loss of RMB42,100,000 in relation to goodwill arising on acquisition of Brilliant Rich. Following the impairment loss recognised in the Brilliant Rich CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

24. GOODWILL (Cont'd)

Jinan Baofei

The recoverable amount of this CGU 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 16.58% (2016: 14.2%). Unit Jinan Baofei's cash flows beyond the 5-year period are extrapolated using a steady 3% (2016: 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 Jinan Baofei to exceed the aggregate recoverable amount of the CGU.

Xishan Schools

The recoverable amount of this CGU 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 14.12% (2016: 16.67%). Xishan Schools' cash flows beyond the 5-year period are extrapolated using a steady 3% (2016: 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 Schools to exceed the aggregate recoverable amount of the CGU.

Stirling Coleman

The recoverable amount of this CGU 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 18.1%. Stirling Coleman'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 Stirling Coleman to exceed the aggregate recoverable amount of the CGU.

During the year ended 31 December 2017, other than the impairment recognised on goodwill relevant to CGU Brilliance Rich, the management determines that there is no impairment of the CGUs containing goodwill. The directors of the Company believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying mount of all the units to exceed the aggregate recoverable amount of respective units.

25. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000 (restated) *(Note 2)*	2016 RMB'000 (as previously reported)
Deferred tax assets	**15,464**	**13,036**	13,036
Deferred tax liabilities	**(113,738)**	**(162,746)**	(101,916)
Total	**(98,274)**	**(149,710)**	(88,880)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	Allowance for doubtful debts RMB'000	**Provision for obsolete or slow-moving inventories** RMB'000	**Warranty** RMB'000	**Tax Losses** RMB'000	**Withholding tax on undistributed profits** RMB'000	**Changes in fair value of financial instruments** RMB'000	**Fair value change of assets acquired through business combination** RMB'000	**Total** RMB'000
At 1 January 2016	1,846	1,560	–	–	–	–	–	3,406
Addition through acquisition of subsidiaries *(Note 40)*	–	–		–	–	–	(30,563)	(30,563)
Credit (charge) to profit or loss	894	3,226	–	5,510	(7,706)	(66,084)	2,437	(61,723)
At 31 December 2016 (as previously reported)	2,740	4,786	–	5,510	(7,706)	(66,084)	(28,126)	(88,880)
Adjustment of valuation *(Note 2)*	–	–	–	–	–	–	(60,830)	(60,830)
At 31 December 2016 (restated)	2,740	4,786	–	5,510	(7,706)	(66,084)	(88,956)	(149,710)
Addition through acquisition of subsidiaries *(Note 40)*	–	–	–	–	–	–	(9,878)	(9,878)
Charge to profit or loss	(723)	924	704	1,579	1,373	58,765	–	62,622
Credit (charge) to other comprehensive income	–	–	–	–	–	(1,619)	–	(1,619)
Exchange realignment	–	–	–	(56)	–	304	63	311
At 31 December 2017	2,017	5,710	704	7,033	(6,333)	(8,634)	(98,771)	(98,274)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. DEFERRED TAXATION (Cont'd)

The Group had unrecognised tax losses as follows:

	RMB'000
At 1 January 2016	27,848
Utilisation	(201)
Addition	141,262
At 31 December 2016	168,909
Derecognition arising from tax assessment	(34,597)
Utilisation	(59,420)
Addition	280,508
At 31 December 2017	355,400

No deferred tax asset has been recognised in respect of unrecognised tax losses due to the unpredictability of future profits streams from respective entities within the Group. As at 31 December 2017, the tax losses of RMB297,599,000 (2016: RMB168,909,000) will expire throughout to 2022 (2016: 2021). The Group has no other significant unrecognised deferred tax assets for the years ended 31 December 2017 and 2016.

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 2017 or 2016. At 31 December 2017 and 2016, deferred taxation had been provided in the consolidated financial statements in respect of temporary differences attributable to retained earnings of Nanyang Cijan at a tax rate of 10%.

26. INVENTORIES

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

The inventories are net of provision of RMB38,068,000 as at 31 December 2017 (2016: RMB31,908,000), which is determined with reference to the net realisable value of the inventory item. Additional provision of RMB14,923,000 (2016: RMB23,382,000) and a reversal of RMB8,763,000 (2016: RMB1,875,000) upon realisation of sales was made during the year ended 31 December 2017.

27. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2017	2016
	RMB'000	RMB'000
		(restated)
Trade receivables *(Note a)*	**532,723**	547,856
Less: allowance for doubtful trade debts	**(13,451)**	(18,270)
	519,272	529,586
Bills receivables *(Note b)*	**58,010**	29,004
Other receivables *(Note c)*	**269,747**	425,548
Less: allowance for doubtful other debts	**–**	–
	269,747	425,548
Value-added tax recoverable	**9,945**	2,981
Advances to suppliers	**44,787**	38,786
	901,761	1,025,905
Less: amounts shown under non-current assets	**(163,739)**	–
Total trade and other receivables shown under current assets	**738,022**	1,025,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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27. TRADE AND OTHER RECEIVABLES (Cont'd)

Note a

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

	2017 RMB'000	2016 RMB'000
Within 90 days	488,348	491,461
91 to 180 days	26,161	32,172
181 to 365 days	4,763	5,953
	519,272	529,586

Movement in the allowance for doubtful trade debts:

	2017 RMB'000	2016 RMB'000
At beginning of the year	18,270	12,307
Addition	4,685	8,161
Reversal	(9,504)	(2,198)
At end of the year	13,451	18,270

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 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB30,924,000 (2016: RMB38,125,000), 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.

Aging of trade receivables which are past due but not impaired:

	2017 RMB'000	2016 RMB'000
Past due by:		
1 to 90 days	26,161	32,172
91 to 275 days	4,763	5,953
	30,924	38,125

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, are the primary obligors for payment on the due date of such banker's acceptances.

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

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

Note c

The balance of other receivables, is as follows:

	2017 **RMB'000**	2016 RMB'000 (restated) *(Note 2)*	2016 RMB'000 (as previously reported)
Amount due from a company resulting from acquisition of Xishan Schools (i)	**160,905**	380,869	386,157
Receivable from the current non-controlling shareholders of Xishan Schools (ii)	**65,000**	–	–
Staff loan	**7,715**	9,234	9,234
Rental deposits	**7,086**	10,652	10,652
Deposits paid to local tax authorities	**4,238**	2,970	2,970
Others	**24,803**	21,823	21,823
	269,747	425,548	430,836
Less: amounts shown under non-current assets	**(163,739)**	–	–
Total other receivables shown under current assets	**106,008**	425,548	430,836

(i) The balance represents receivable from a company established in the PRC. The balance was guaranteed by the non-controlling shareholders of Xishan Schools in respect of the entitling profits distributable from Xishan Schools. The balance is non-trade related, non-interest bearing, and repayment on demand. Of which, RMB160,239,000 is expected to be settled beyond one year from 31 December 2017 as the counterparty expected to settled the balance by provision of services to the Group (2016: expected to be received within a year) and is classified as non-current asset.

(ii) The balance is non-trade related, non-interest bearing, and repayment on demand. The directors of the Company expect that the amount will be fully recovered within 12 months from 31 December 2017.

Movement in the allowance for doubtful other receivables:

	2017 **RMB'000**	2016 RMB'000
At beginning of the year	**–**	7,921
Written off	**–**	(7,921)
At end of the year	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

28. LOAN AND INTEREST RECEIVABLES

	2017 RMB'000	2016 RMB'000
Loan receivable	**503,894**	102,368
Interest receivables	**8,069**	8,122
	511,963	110,490

The balances outstanding at 31 December 2017 are of original maturity terms ranging from 1 month to 12 months (2016: from 1 month to 12 months). Other than a loan of RMB1,200,000 which is non-interest bearing, other loans carry interest of 5% – 17% (2016: 5% – 36%) per annum. 72% of remaining balances outstanding at 31 December 2016 were fully settled during the current financial year and the remaining balance of RMB30,900,000 was reclassified to "other receivables – from a company resulting from acquisition of Xishan Schools" pursuant to a debt restructuring arrangement among the Group, the original borrower and the new borrower.

At 31 December 2017, the balances comprising:

1. A principal amount of approximately RMB125,386,000, the borrower signed the Account Control Agreement with the Group as collateral. Pursuant to the agreement, the borrower pledged 49,000,000 shares of the Company in the security account controlled by the Group.

2. A principal amount of RMB196,438,000, the borrower pledged its investments in BOCOM International Prosperity Investment Limited and the investment account is controlled by the Group.

3. A principal amount of RMB65,200,000, the borrower pledged its investment in trading securities to the Group.

4. For the loan receivables of RMB16,470,000 to the individuals are guaranteed by the securities accounts held by each borrower.

5. A principal amount of approximately RMB21,500,000 was guaranteed by bank deposit held by the Group.

6. The remaining balances of RMB78,900,000 represent loans advanced to companies established in the PRC. The management of the Group reviewed the financial performance of the borrowers on regular basis and assess impairment risk. At 31 December 2017, the management believes that no impairment allowance is necessary.

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

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

	2017 RMB'000	2016 RMB'000
Equity securities:		
– Listed in HK	**1,920,176**	708,157
– Listed in the PRC	**869,900**	800,167
– Listed in overseas	**78,538**	–
	2,868,614	1,508,324
The investment are classified as following:		
– Financial assets designated at FVTPL	**1,734,594**	619,414
– Held for trading	**1,134,020**	888,910
	2,868,614	1,508,324

30. SECURITY ACCOUNT BALANCES

As at 31 December 2017, the security account balance represents deposits placed by the Group in security trading companies. The balances are unsecured, non-interest bearing and can be withdrawn at any time without penalty.

31. RESTRICTED BANK BALANCES/ BANK BALANCES AND CASH

During the year ended 31 December 2017, bank balances carry interest at market rates ranging from 0.001% to 0.35% (2016: 0.001% to 0.35%) per annum.

As at 31 December 2017, included in the balances of restricted bank balances are (i) an aggregate amount of RMB122,252,000 (2016: RMB453,284,000) representing the customer deposits for trading securities, (ii) RMB329,000,000 (2016: nil) representing capital from the ex-shareholder of Brilliant Rich with the purpose of entitling the Group to identify and invest in valuable investment targets on its behalf. A corresponding amount is recognised by the Group as payable to the same party (Note 32c), (iii) RMB105,000,000 (2016: 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 the purchase of raw materials.

At 31 December 2016, an aggregate amount of RMB130,000,000 represented other restricted bank deposits.

As at 31 December 2017, restricted bank balances, carrying interest at market rates ranging from 1.30% to 1.69% (2016: 1.30% to 1.69%) per annum.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

32. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

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

* At 31 December 2017, included in the balance is RMB10,031,000, representing transaction cost payable resulting from the issuance of convertible bonds as set out in Note 35.

Note a

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

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

32. 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:

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

Note c

The following is the balance of other payables:

	2017 RMB'000	2016 RMB'000
Payable to the ex-shareholder of Brilliant Rich*	**329,000**	–
Social insurance payable	**55,757**	1,609
Payables to the non-controlling shareholders of Xishan Schools*	**40,000**	50,000
Advance in respect of share subscription in Guang Da**	**38,454**	–
Others	**48,151**	7,100
	511,362	58,709

* The balances are non-trade related, non-secured, non-interest bearing and repayable on demand.

** Defined in Note 47.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

32. TRADE AND OTHER PAYABLES (Cont'd)

Note d

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 2017 and 2016. 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.

	2017 **RMB'000**	2016 RMB'000
At beginning of the year	**570**	813
Payment	**(168)**	(283)
Accretion during the year	**51**	40
At end of the year	**453**	570
Analysed for reporting purposes:		
Current liabilities	**129**	160
Non-current liabilities	**324**	410
	453	570

33. AMOUNT DUE TO A JOINT VENTURE

	2017 **RMB'000**	2016 RMB'000
Shouzhong Education	**103,270**	198,270

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

34. BORROWINGS

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

Note: As at 31 December 2017, among other borrowings, RMB832,374,000 (2016: nil) was fund from a joint venture, Zhuhai Education carrying fixed interest rate of 2% per annum, with maturity due within three years. During the year ended 31 December 2017, an amount of RMB19,666,000 due from the joint venture was set off with a corresponding amount of payable to the same party upon entering into an agreement.

The contractual maturity dates are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

34. BORROWINGS (Cont'd)

The ranges of effective interest rates on the Group's borrowings are as follows:

	2017	2016
Variable-rate borrowings	**China lending benchmark interest rate + 0.05%-0.435%**	–
Fixed-rate borrowings	**2.00%-6.80% per annum**	4.14% – 6.80% 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:

	2017 **RMB'000**	2016 RMB'000
Property, plant and equipment	**–**	121,796
Prepaid lease payments	**–**	105,530
Financial assets measured at FVTPL	**1,403,959**	399,617
	1,403,959	626,943

At 31 December 2017, certain shareholders of the Company, including Wealth Max Holding Limited and Hongkong Chuang Yue Co., Limited also pledged the Company's shares with fair value amounting to RMB2,086,103,000 (2016: nil) to the financial institutes for securing financial facilities available to the Group.

35. CONVERTIBLE BONDS

On 14 December 2017, the Company issued Hong Kong dollars ("**HK$**") denominated and HK$ settled bonds at par value with the aggregate principal amount of HK$800,000,000 with conversion price of HK$3.27 (subject to adjustment) per Share (the "**Convertible Bonds**"). The Convertible Bonds will mature on 13 December 2019 (the "**Maturity Date**") and shall be redeemed by the Company at par value on the Maturity Date. The conversion price is subject to downward adjustment for any future issue of Company's shares at a price less than 90% of the market price prior to the Convertible Bonds are redeemed, converted or purchased and cancelled.

The Convertible Bonds bear interest from (and including) the issued date at the rate of (a) 7% per annum for the period from and including the Issue Date up to and excluding the first anniversary of the Issue Date; and (b) 8% per annum for the period from the first anniversary of the Issue Date up to and including the Maturity Date, interest is calculated by reference to the principal amount thereof and payable semi-annually in arrear on 20 June and 20 December of each year, commencing with the first interest payment date falling on 20 June 2018.

The Convertible Bonds are guaranteed by Mr. Tang Mingyang, the shareholder of the Company, and secured by an account charge executed by Hongkong Chuang Yue Co., Limited (the "**Chargor**") in favour of the bondholder.

Conversion at the option of the bondholder may occur at any time between the first anniversary of the Issue Date to the close of business on the date falling ten business days prior to the Maturity Date (both days inclusive) ("**Conversion Period**").

During the Conversion Period, any conversion notice raised by the bondholder is subject to acceptance by the Company. An additional 2% per annum simple interest will be imposed on original principal amount of the Convertible Bonds less the aggregate amount of all principal amounts which had been redeemed or converted should the Company refuses to accept the conversion notice from the bondholder.

The Convertible Bonds contain liability component, conversion option and conversion-veto option derivatives. The Company's conversion-veto option are not closely related to the host liability component as the redemption amount after exercising the conversion-veto option is not closed to the amortised cost of the liability on each exercise date. The bondholder's conversion option and the Company's conversion-veto option are measured at fair value with change in fair value recognised in profit or loss.

At the date of issue, the liability component was recognised at fair value, calculated based on the present value of the redemption amount and accrued interest at maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component is 10.39% (2016: N/A).

The bondholder's conversion option and the Company's conversion-veto option are measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

35. CONVERTIBLE BONDS (Cont'd)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and the bondholder's conversion option and the Company's conversion-veto option in proportion to their relative fair values. Transaction cost amounting to approximately HK$392,000 relating to the bondholder's conversion option and the Company's conversion-veto option was charged to profit or loss immediately and included in other expenses. Transaction cost amounting to approximately HK$35,608,000 relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

The fair values of the Convertible Bonds were determined by the directors of the Company with reference to a valuation report carried out by an independent valuer. At 31 December 2017, the fair value of the options amounted to RMB6,945,000. The movement of liability component of the Convertible Bonds for the year is set out as below:

	RMB'000
Upon issuance	639,381
Interest charged	3,358
Interest paid	(798)
Exchange realignment	(7,792)
At 31 December 2017	634,149

At the date of issuance and 31 December 2017, the fair values of the bondholder's conversion option and the Company's conversion-veto option are calculated using the Binominal Model. Details of the inputs and assumptions of the model are as follows:

	31 December 2017	14 December 2017
Share price of the Company	HK$3.02	HK$2.90
Exercise price	HK$3.27	HK$3.27
Remaining life	2 years	2 years
Risk-free rate	1.23%	1.23%
Expected volatility	56.20%	56.20%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by using the annualised standard deviation of the continuously compounded rate of return on the daily average adjusted share price of the Company as at each year end.

36. DEFERRED INCOME

	Government Grant	Advanced tuition fee	Total
	Note a	*Note b*	
	RMB'000	RMB'000	RMB'000
At 1 January 2016	15,122	–	15,122
Additions through acquisition of subsidiaries *(Note 40)*	–	346,747	346,747
Additions during the year	14,000	26,526	40,526
Credit to profit or loss	(1,089)	(35,920)	(37,009)
At 31 December 2016 and 1 January 2017	28,033	337,353	365,386
Additions during the year	16,900	190,700	207,600
Credit to profit or loss	(2,194)	(212,752)	(214,946)
At 31 December 2017	42,739	315,301	358,040

	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current liabilities*	**142,586**	69,561
Non-current liabilities	**215,454**	295,825
	358,040	365,386

* 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 acquisition of Jinan Baofei and Xishan Schools (Notes 40e and f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

37. PROVISIONS

	Warranty Provision RMB'000
At 1 January 2016	17,120
Additions	20,000
Utilisations	(15,725)
At 31 December 2016 and 1 January 2017	21,395
Additions	22,866
Utilisations	(39,566)
At 31 December 2017	4,695

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.

38. LONG TERM PAYABLES

	2017 RMB'000	2016 RMB'000
Long term payables	**27,496**	24,860

The balance is measured at imputed interest rate of 4.9% per annum, the balance is unsecured and repayable throughout to 2029.

39. SHARE CAPITAL

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

	31.12.207 **RMB'000**	31.12.2016 RMB'000
Share capital presented in consolidated statement of financial position	**80,096**	74,941

Notes:

a. 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.

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

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

d. On 28 February 2017, each of the issued and unissued shares of HK$0.10 each in the share capital of the Company has been subdivided into 5 shares of HK$0.02 each, details of which were set out in the Company's announcements dated 27 January 2017, 27 February 2017 and 28 February 2017 and the Company's circular dated 10 February 2017.

e. On 12 June 2017, 296,250,000 shares of the Company were issued at HK$3.10 per share by way of consideration issue for the purpose of acquiring 180,438,000 of shares of Virscend Education (1565.HK), a company listed on the Main Board of the Stock Exchange.

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

a. Acquisition of Stirling Coleman

On 4 July 2017, the Group acquired 100% equity interest in Stirling Coleman, a company incorporated in Republic of Singapore ("**Singapore**") for (i) a SGD denominated cash consideration equivalent to approximately RMB61,232,000, (ii) a SGD denominated consideration payable equivalent to approximately RMB8,354,000 and (iii) performance consideration payables by reference to agreed terms stipulated in the acquisition agreement. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB11,753,000. Details of the acquisition are set out in the Company's announcement dated 4 July 2017.

Consideration transferred:

	RMB'000
Cash consideration	61,232
Consideration payable	8,354
Contingent consideration payable	16,212
Total	85,798

At the acquisition date, the fair value of the contingent consideration is determined by the management's estimation of future profit.

Assets acquired and liabilities recognised at the date of acquisition are as follow:

	RMB'000
Property, plant and equipment	264
Trade and other receivables*	2,565
Bank balances	34,432
Intangible assets	58,106
Amounts owing to ex-shareholders	(13,497)
Other payables	(622)
Deferred tax liabilities	(9,878)
Other assets	2,675
	74,045

* The fair value of trade and other receivable at the date of acquisition amounted to RMB2,565,000, which is same as the gross contractual amounts at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2017 (Cont'd)

a. Acquisition of Stirling Coleman (Cont'd)

Goodwill arising on acquisition:

	RMB'000
Consideration	85,798
Less: net assets acquired	(74,045)
Goodwill arising on acquisition	11,753

Goodwill arose in the acquisition of Stirling Coleman because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to benefit of expected synergies, future market development and the assembled workforce of Stirling Coleman. These benefits 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 Stirling Coleman:

	RMB'000
Cash consideration paid	61,232
Less: cash and cash equivalent balances acquired	(34,432)
	26,800

Included in the loss for the year is a loss of RMB2,117,000 attributable to the additional business generated by Stirling Coleman. Revenue for the year includes RMB2,944,000 generated from Stirling Coleman.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been RMB1,894,030,000, and loss for the year would have been RMB289,489,000. 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 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to RMB330,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2017 (Cont'd)

b. Acquisition of FC Dingge

On 24 April 2017, the Group acquired another 40% shares of FC Dingge with an investment cost of RMB1,662,000. Upon completion, FC Dingge became a wholly-owned subsidiary of the Group. FC Dingge is not regarded as a business at the acquisition date.

Consideration transferred:

	RMB'000
Cash consideration paid	416
Waive of loan receivable from FC Dingge	1,246
Total	1,662

Assets acquired and liabilities recognised at the date of acquisition are as follow:

	RMB'000
Bank balances and cash	4,128
Other receivables	27
	4,155
Less: interests in an associate (60% equity interest in FC Dingge)	(2,497)
	1,662

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2017 (Cont'd)

b. Acquisition of FC Dingge (Cont'd)

Net cash inflow on acquisition of FC Dingge:

	RMB'000
Cash consideration paid	416
Less: cash and cash equivalent balances acquired	(4,128)
	(3,712)

c. Disposal of Fushang Equity Investment Fund Management (Shanghai) Company Limited ("Fushang")

During the year ended 31 December 2017, Fushang and its subsidiaries (the "**Disposal Group**") were disposed of at a cash consideration of RMB1. As at the disposal date in June 2017, the Disposal Group has net liabilities of RMB23,560,000 primarily consisting of current account of RMB29,756,000 payables to the Group and was recognised as "Other receivable" at the disposal date. The amount due from the Disposal Group was subsequently settled on 28 August 2017.

Consideration received:

	RMB
Cash received	1
Total	1

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	1,050
Bank balances and cash	72
Trade and other receivables	5,101
Trade and other payables	(29,783)
Net liabilities disposed of	(23,560)

Gain on disposal of a subsidiary:

	RMB'000
Consideration received	–
Less: Net liabilities disposed of	(23,560)
Gain on disposal	23,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2017 (Cont'd)

c. Disposal of Fushang Equity Investment Fund Management (Shanghai) Company Limited ("Fushang") (Cont'd)

Net cash outflow on disposal of a subsidiary:

	RMB'000
Cash consideration	–
Less: cash and cash equivalent balances disposed of	(72)
	(72)

For the year ended 31 December 2016

d. Acquisition of Brilliant Rich

On 28 April 2016, the Group acquired 100% equity interest in Brilliant Rich for consideration of HK$117,519,360 (equivalent to RMB98,349,602). 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 announcements 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 transferred by the Group	69,462
	540,223
Less: assignment 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 quoted price available at the date of the acquisition, amounted to HK$515,358,720 (RMB431,293,406).

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

d. Acquisition of Brilliant Rich (Cont'd)

Assets acquired and liabilities recognised 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 loan and interest receivable and other receivable at the date of acquisition amounted to RMB148,206,000, which is same as the gross contractual amounts. 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	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 in developing the financial and advisory services. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

d. Acquisition of Brilliant Rich (Cont'd)

Net cash inflow 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 ended 31 December 2016 was RMB12,594,000 attributable to the additional business generated by Brilliant Rich. Revenue for the year ended 31 December 2016 included RMB10,812,000 generated from Brilliant Rich.

e. 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 the Contractual Arrangement (Note 3), the Group is entitled to obtain economic interest and benefits from its business activities of the schools held by the School sponsor and Jinan Baofei upon completion of the acquisition. 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 completed on 1 September 2016.

	2016 RMB'000
Consideration transferred:	
Cash consideration paid	90,660
Consideration payable	31,740
Total	122,400

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

e. Acquisition of Jinan Baofei (Cont'd)

Assets acquired and liabilities recognised 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, which is same as the gross contractual amounts. 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

* The non-controlling interest is measured at its proportionate share of recognised amounts of the acquiree's identifiable net assets.

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 further 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

e. Acquisition of Jinan Baofei (Cont'd)

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 HKFRSs ("**Net Profit**") for each of the three financial years ended/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 Reimbursement**") or the equity interest in Jinan Baofei held by the vendor ("**Share Reimbursement**") of up to 49% of the equity interest in Jinan Baofei. The compensation will be calculated as follows:

Cash Reimbursement:

- Compensation for the year ended 31 December 2016 = {the absolute value of the difference for 2016* the agreed price-to-earnings multiples* 51%}
- Compensation for the year ended 31 December 2017 = {the absolute value of the difference for 2017* the agreed price-to-earnings multiples* 51% – compensation for the year ended 31 December 2016}
- Compensation for the year ended 31 December 2018 = {the absolute value of the difference for 2018* the agreed price-to-earnings multiples* 51% – compensation for the year ended 31 December 2016 and the year ending 31 December 2017}

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

e. Acquisition of Jinan Baofei (Cont'd)

Share Reimbursement:

- 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 reimbursement will occur and the estimated fair value of this contingent assets at the acquisition date and at 31 December 2016 and 2017 is assessed as insignificant.

Included in the profit for the year ended 31 December 2016 was RMB7,474,397 attributable to the additional business generated by Jinan Baofei. Revenue for the year ended 31 December 2016 included RMB24,451,125 from Jinan Baofei.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

f. Acquisition of Xishan Schools

On 30 November 2016, the Group acquired 58.3% equity interest in Xishan Schools for consideration of RMB350,000,000. Pursuant to the Contractual Arrangement, the Group is entitled to obtain economic interest and benefits from its business activities of the schools held by the Xishan Schools upon completion. This acquisition has been accounted for using the acquisition method. Xishan Schools and its subsidiary is engaged in providing K-12 education and vocational education services in the PRC.

As at 31 December 2016, the directors of the Company were in the process of assessing fair values the identifiable net assets and liabilities assumed of the Xishan Schools at the date of the acquisition and goodwill was determined as provisional amounts in accordance with HKFRS 3 "Business Combinations".

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

Below table set out the original provisional amounts and finalised amounts recognised for the identifiable assets (liabilities) upon the finalisation of the valuation:

	Finalised RMB'000	Provisional RMB'000
Property, plant and equipment	213,440	224,349
Prepaid lease payment	118,741	8,013
Trade and other receivables*	401,488	406,776
Inventory	3,463	3,463
Bank balances and cash	6,586	6,586
Bank borrowings	(128,300)	(128,300)
Amount due to ex-shareholder	(50,000)	(50,000)
Trade and other payables	(30,529)	(30,529)
Deferred income	(316,529)	(316,529)
Long term payable	(24,756)	(24,756)
Student roaster	26,047	–
School brand	117,453	–
Deferred tax liability	(60,830)	–
Net assets acquired	276,274	99,073

* The fair value of trade and other receivable at the date of acquisition amounted to RMB401,488,000. The gross contractual amounts was RMB406,776,000 net with impairment loss of RMB5,288,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

f. Acquisition of Xishan Schools (Cont'd)

Goodwill arising on acquisition:

	2016 Finalised RMB'000	2016 Provisional RMB'000
Consideration for the acquisition:		
Cash consideration	50,000	50,000
Consideration payable	300,000	300,000
Contingent consideration payable	13,814	–
	363,814	350,000
Add: non-controlling interests (41.7% in Xishan Schools)	115,206*	41,313*
Less: net assets acquired	(276,274)	(99,073)
Goodwill arising on acquisition	202,746	292,240

* The non-controlling interest is measured at its proportionate share of recognised amounts of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Xishan Schools because the cost of the combination included amounts in relation to students' networking and connection to professional specialties in the field of K-12 and vocational education and the development of the Group's education business and further 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.

The finalised goodwill arising on acquisition is RMB202,746,000, decreased by RMB89,494,000 from the provisional amount of goodwill as disclosed in the consolidated financial statements for the year ended 31 December 2016, mainly due to the adjustment downward of property, plant and equipment and upward of prepaid lease payment, identified intangible asset and associated deferred tax liabilities, and contingent consideration upon completion of the valuation.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

The acquisition-related costs have been recognised directly as expenses when they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2016 (Cont'd)

f. Acquisition of Xishan Schools (Cont'd)

Net cash outflow on acquisition:

	2016 RMB'000
Cash consideration paid	50,000
Less: cash and cash equivalents balances acquired	(6,586)
	43,414

Included in the sales and purchase agreement between the Group and the vendors, there is contingent compensation arrangement. The vendors warrant that the audited consolidated earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") of the Xishan schools' management accounts prepared in accordance with HKFRSs for each of the three financial years ended/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 Schools is subject to the adjustment in the following manner:

(a) Should the deficit between the actual EBITDA and Profit Guarantee of any respective year during the Guarantee Periods is more than 7% for each of the year, the vendors will transfer 5% of the Xishan Schools' equity interest to the Group at nil consideration.

(b) Should the EBITDA of the Xishan Schools attains or exceeds the Profit Guarantee for all of the three years in the Guarantee Periods, the Group will transfer 5% of the Xishan schools' equity interest to the vendors at nil consideration.

The contingent consideration has been measured at fair value at the acquisition date.

41. OPERATING LEASE COMMITMENTS

The Group as lessee

The minimum lease payment under operating lease in respect of office premises amounted to RMB32,408,000 (2016: RMB38,447,000) for the year ended 31 December 2017.

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:

	2017 **RMB'000**	2016 RMB'000
Within one year	**24,988**	46,260
Between the second and the fifth year inclusive	**2,340**	85,735
	27,328	131,995

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.

42. OTHER COMMITMENTS

	2017 **RMB'000**	2016 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	**3,217**	30,761
Capital expenditure in respect of investments in joint ventures		
– Contracted for but not provided in the consolidated financial statements	**485,520**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. RELATED PARTY DISCLOSURES

Other than those transactions with related parties disclosed elsewhere in the consolidated financial statements, the remuneration of directors of the Company and other members of key management during the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
	RMB'000	RMB'000
Short-term benefits	**27,906**	38,924
Post-employment benefits	**55**	30
Incentive payment on joining	**–**	1,580
Other benefits in kind	**173**	257
	28,134	40,791

44. 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.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts (which include bank borrowings, convertible bonds and non-trade related amounts due to related companies), net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and retained earnings (losses).

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

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Financial instrument classification	Carrying amount at 31 December	
		2017	2016
		RMB'000	RMB'000
Financial assets			
Trade and other receivables*	Loans and receivables	674,850	989,426
Restricted bank balances	Loans and receivables	556,252	675,464
Security account balances	Loans and receivables	7,969	–
Bank balances and cash	Loans and receivables	686,477	1,324,651
Loan and interest receivables	Loans and receivables	511,963	110,490
		2,437,511	3,100,031
Financial assets designated at FVTPL	FVTPL	1,734,594	619,414
Held for trading investments	FVTPL	1,134,020	888,910
Available for sale investments	AFS	616,184	70,265
Financial liabilities			
Amount due to an associate	At amortised cost	2,425	2,197
Trade and other payables**	At amortised cost	1,262,604	570
Borrowings – due within one year	At amortised cost	1,377,104	1,100,336
Borrowings – due after one year	At amortised cost	1,584,364	413,624
Long term payables	At amortised cost	27,496	24,860
Other payables to employees	At amortised cost	453	1,765,631
Amount due to a joint venture	At amortised cost	103,270	198,270
Convertible bonds	At amortised cost	634,149	N/A
		4,991,865	3,505,488
Embedded derivative components of convertible bonds	FVTPL	6,945	N/A
Contingent consideration payable	FVTPL	29,923	N/A
		5,028,733	3,505,488

* Excluded advances to suppliers, prepayments and value-added tax recoverables.

** Excluded payroll and welfare payables, other tax payable and accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

46. FINANCIAL INSTRUMENTS (Cont'd)

(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, currency risk and other price 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.

(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, and variable rate of interest incurred on short term bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loan receivables, borrowings and convertible bonds. It is the Group's police to maintain an appropriate level between its fixed-rate and variable-rate borrowing so as to minimise the fair value and cash flow interest rate risk.

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

Sensitivity analysis

If interest rate of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2017 would have decreased/increased by approximately RMB1,010,000 (2016: RMB1,651,000 increased/decreased in the Group's profit).

If interest rate of variable-rate bank borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2017 would have increased/decreased by approximately RMB153,000 (2016: nil).

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.

(ii) Currency risk

The Company and some subsidiaries of the Group hold foreign monetary assets or have foreign currency liabilities, which can be affected by currency fluctuations and have currency risks. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2017	2016
	RMB'000	RMB'000
Bank balances	**58,903**	19,521
Security account balances	**24,453**	–
Loan and interest receivables	**–**	52,408
Amount due from subsidiaries	**1,705,011**	–
Borrowing	**(305,441)**	–

46. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Currency risk (Cont'd)

Based on the above net exposures, and assuming that all other variables remain constant at year end, a 5% (2016:1%) appreciation/depreciation of the functional currency of respective group entities against foreign currency would result in a decrease/increase in the Group's loss for the year of approximately RMB61,907,000 for the year ended 31 December 2017 and (2016: RMB719,000 increase/decrease in the Group's profit). 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 foreign currency exposure and will consider hedging significant currency exposure should the need arises.

(iii) Other price risk on share price

The Group is exposed to equity price risk through its investments in Financial assets measured at fair value through profit or loss, fair value measured available for sale investments and embedded derivative components. The management manages this exposure by maintaining a portfolio of investments with different risk. The Group's equity price risk is mainly concentrated on equity instruments operating in manufacturing and education industries sectors quoted in the Stock Exchange, Shenzhen Stock Exchange, Shanghai Stock Exchange and Australian Securities Exchange.

Sensitivity analysis

- If the share prices of Financial assets measured at fair value through profit or loss and the available for sale investments measured at fair value had been (i) 5% (2016: 1%) higher, post-tax loss for the year ended 31 December 2017 would have decreased by RMB116,048,000 and the other comprehensive expense net of tax effect would have increased by RMB16,225,000, respectively (2016: RMB11,914,000 increased in profit for the year); (ii) 5% (2016: 1%) lower, post-tax loss for the year ended 31 December 2017 would have increased by RMB125,649,000 and the other comprehensive expense net of tax effect would have decreased by RMB6,624,000, respectively (2016: RMB11,914,000 decreased in profit for the year).

- If the share price of the Company inputted to the valuation model for assessing the fair value of the embedded derivative components of the Company's convertible bonds had been 10% (2016: N/A) higher/lower while all other variables were held constant, the impact to the loss of the year ended 31 December 2017 is insignificant (2016: N/A).

- If the expected volatility of share price of the Company inputted to the valuation model for assessing the fair value of such derivatives had been 10% (2016: N/A) higher/lower while all other variables were held constant, the impact to the loss of the year ended 31 December 2017 is insignificant (2016: N/A).

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

46. FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk

As at 31 December 2017, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which cause financial loss to the Group due to failure to discharge an obligation by counterparties.

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 2017, under the automotive parts business, the Group had concentration of credit risk on trade receivables as 53.2% (31 December 2016: 49.2%) of total trade receivables were due from top 10 customers. Among which, the balance of the top 1 customer accounts for 26.0% (31 December 2016: 26.0%) of total trade receivables. The management considered no impairment is necessary for those balances which are not past due.

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 interest 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 default 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 2017 and 2016.

Other than the concentration of the credit risk on trade receivables, bills receivables, loan and interest receivables, restricted bank balances and bank balances, the Group does not have any other significant concentration of credit risk.

46. 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 2017								
Amount due to an associate	n/a	2,425	-	-	-	-	2,425	2,425
Trade and other payables	n/a	1,146,180	57,799	58,625	-	-	1,262,604	1,262,604
Other payables to employees	3.6	-	133	108	214	34	489	453
Borrowings	4.4-12.0	347,495	1,178,193	289,849	1,308,651	180,015	3,304,203	2,961,468
Long-term payables	4.9	-	-	-	-	31,788	31,788	27,496
Amount due to a joint venture	n/a	-	103,270	-	-	-	103,270	103,270
Convertible bond	10.4	769	46,041	687,647	-	-	734,457	634,149
Embedded derivative components of convertible bonds	n/a	-	-	6,945	-	-	6,945	6,945
Contingent consideration payable	n/a	-	-	16,109	13,814	-	29,923	29,923
		1,496,869	1,385,436	1,059,283	1,322,679	211,837	5,476,104	5,028,733
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	4.1-6.8	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

46. 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 other than financial assets measured at fair value through profit or loss, fair value measured AFS and embedded derivatives 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 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets measured at FVTPL				
– listed securities	2,868,614	–	–	2,868,614
Available for sale investments	274,310	176,640	–	450,950
Embedded derivatives	–	–	(6,945)	(6,945)
Contingent consideration payables	-	-	(29,923)	(29,923)

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 measured at FVTPL				
– listed securities	1,508,324	–	–	1,508,324

46. FINANCIAL INSTRUMENTS (Cont'd)

(e) Fair value (Cont'd)

Financial assets	Fair value as at 31/12/2017 RMB'000	Fair value as at 31/12/2016 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship Of unobservable inputs to fair value
Financial asset measured at FVTPL – listed securities	**2,868,614**	1,508,324	Level 1	Quoted bid prices in an active market	N/A	N/A
Available for sale investment	**274,310**	–	Level 1	Quoted bid prices in an active market	N/A	N/A
Available for sale investment	**176,640**	–	Level 2	Quoted by the fund manager	N/A	N/A
Embedded derivative components of the convertible bonds classified as financial instruments accounted for as FVTPL in the consolidated statement of financial position	**6,945**	–	Level 3	Binomial Pricing Model Binomial Pricing Model is employed in deriving the fair value of the Convertible Bonds. The value of the embedded derivatives component is the difference between the value of the Convertible Bonds and the fair value of the straight note, which is the present value of the contractually determined stream of future cash flows discounted at a rate that provided substantially the same cash flows, on the same terms, but without the derivatives component. The main inputs include term to maturity, dividend yield, risk-free rate, spot price as of the valuation date, exercise price and expected volatility of stock price.	- dividend yield - company specific discounted rate (the "**Rate**")	- the higher the dividend yield, the lower the fair value - the higher the Rate, the lower the fair value
Contingent consideration in a business combination	**29,923**	13,814	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate	Discount rate of 14.13% for Xishan Schools and 18.10% for Stirling Coleman*	- the higher the discount rate, the lower the fair value

There were no transfers between the level 1 and level 2 of the fair value hierarchy for the year.

* An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration payables, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

46. FINANCIAL INSTRUMENTS (Cont'd)

(e) Fair value (Cont'd)

Reconciliation of Level 3 fair value measurements

	Embedded derivatives RMB'000	Contingent consideration payable RMB'000	Total RMB'000
At 1 January 2016	–	–	–
Arising from acquisition of business	–	(13,814)	(13,814)
At 31 December 2016 (restated)	–	(13,814)	(13,814)
Arising from acquisition of business	–	(16,212)	(16,212)
Arising from issuance of convertible bonds	(6,945)	–	(6,945)
Exchange realignment	–	103	103
At 31 December 2017	(6,945)	(29,923)	(36,868)

47. PARTICULARS OF SUBSIDIARIES

As 31 December 2017, the Company has the following indirectly held, unless otherwise stated, principal subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share	Effective equity interest attributable to the Group 2017	2016	Principal activities
CFCG INVESTMENT PARTNERS INTERNATIONAL (AUSTRALIA) PTY LTD	Australia 25 July 2016	US$100	**100% (directly)**	100% (directly)	Investment holding
CFCG INVESTMENT PARTNERS INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore 24 May 2016	SGD2,000,000 (2016: SGD 500,000)	**100% (directly)**	100% (directly)	Investment consulting
China First Capital International Education New Town Holdings Limited	Hong Kong 28 February 2017	HK$100	**100% (directly)**	N.A.	Investment holding
First Capital Asset Management Limited	Hong Kong 4 June 2014	HK$23,000,000 (2016: HK$10,000,000)	**100%**	100%	Asset management

47. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share	Effective equity interest attributable to the Group 2017	2016	Principal activities
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%**	100%	Educational investment
First Capital Finance Limited	Hong Kong 29 January 2015	HK$10,000,000	**100% (directly)**	100% (directly)	Credit financing
First Capital Fund Management Company Limited* 首控基金管理有限公司	PRC 14 September 2012	RMB500,000,000	**100%**	100%	Fund Management
First Capital Group Limited	BVI 28 November 2012	US$1	**100% (directly)**	100% (directly)	Investment holding
First Capital International Finance Limited	Hong Kong 25 February 2016	HK$20,000,000 (2016: HK$10,000,000)	**100%**	100%	Financial consulting
First Capital International Holdings Limited	Hong Kong 23 January 2015	HK$10,000,000	**100%**	100%	Investment holding
FIRST CAPITAL INTERNATIONAL INVESTMENTS HOLDINGS LIMITED	Hong Kong 23 September 2015	HK$100,000,000	**100%**	100%	Investment holding
First Capital Securities Limited	Hong Kong 23 July 2015	HK$300,000,000	**100%**	100%	Dealing in securities
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	PRC 23 December 2016	RMB6,895,486.23	**100%**	100%	Fund management
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	PRC 16 June 2005/ 23 September 2008	RMB33,120,000	**58.3%**	58.3%	Educational services
GUANG DA (CHINA) AUTOMOTIVE COMPONENTS HOLDINGS LIMITED ("**Guang Da**")	Hong Kong 14 June 2010	HK$740 (2016: HK$1)	**100%**	100%	Investment holding
Jiangxi Xishan School* 江西省西山學校/ Xishan Education Group* 西山教育集團	PRC 18 December 2001/ 30 July 2003	RMB45,570,000	**58.3%**	58.3%	Educational services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

47. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share	Effective equity interest attributable to the Group 2017	2016	Principal activities
Jinan Shijiyinghua Experiment School* 濟南世紀英華實驗學校	PRC 30 August 2003	RMB10,000,000	**51%**	51%	Educational services
MEGA PERFECT ENTERPRISES LIMITED	BVI 8 November 2016	US$100	**100%**	100%	Investment holding
MEGA PERFECT INTERNATIONAL CORPORATION	BVI 18 October 2016	US$100	**100%**	100%	Investment holding
NANYANG CIJAN AUTO SHOCK ABSORBER CO., LTD.	PRC 23 June 2005	HK$320,000,000	**70%**	70%	Research, development and manufacture of automobile shock absorber and suspension system products
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 2012	RMB10,000,000	**70%**	70%	Research, development and manufacture of automobile shock absorber and suspension system products
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%**	100%	Investment holding
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	**65%**	65%	Migration financial services
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%	Migration financial services
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%	Migration financial services

47. PARTICULARS OF SUBSIDIARIES (Cont'd)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share	Effective equity interest attributable to the Group 2017	2016	Principal activities
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
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%**	100%	Investment holding
STIRLING COLEMAN CAPITAL LIMITED ("**Stirling Coleman**")	Singapore 2001	SGD3,000,000	**100%**	N.A.	Financial consulting
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%**	100%	Educational management

* The English name is for identification purposes only.

None of the above subsidiaries had issued any debt securities during the years or at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

48. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place and date of incorporation/ establishment and principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Nanyang Cijan	PRC	**30%**	30%	**(1,706)**	11,566	**116,169**	118,127
Jinan Baofei	PRC	**49%**	49%	**5,157**	83	**61,441**	56,284
Xishan Education	PRC	**41.7%**	41.7%	**(1,086)**	(702)	**116,356**	117,442
Individually immaterial subsidiaries with non-controlling interests						**(2,075)**	(4,086)
Total						**291,891**	287,767

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination.

	Nanyang Cijan		Jinan Baofei		Xishan Education	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**951,872**	922,940	**38,796**	31,366	**234,192**	465,902
Non-current assets	**768,426**	713,382	**152,116**	158,707	**602,290**	471,462
Current liabilities	**1,283,065**	1,212,992	**35,228**	42,497	**299,866**	242,108
Non-current liabilities	**47,201**	35,058	**25,711**	28,126	**257,586**	419,872
Equity attributable to owners of the Company	**273,863**	270,145	**68,532**	63,166	**162,674**	157,942
Non-controlling interests	**116,169**	118,127	**61,441**	56,284	**116,356**	117,442

48. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Cont'd)

	Nanyang Cijan Year ended 31 December		Jinan Baofei Year ended 31 December		Xishan Education Year ended 31 December	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**1,530,210**	1,379,236	**63,721**	24,454	**153,628**	12,098
Profit (loss) for the year	**2,336**	38,520	**10,523**	169	**(2,604)**	(1,683)
Profit (loss) attributable to						
– owners of the Company	**4,042**	26,964	**5,366**	86	**(1,518)**	(981)
– non-controlling interests	**(1,706)**	11,556	**5,157**	83	**(1,086)**	(702)
Other comprehensive income attributable to						
– owners of the Company	**(324)**	(213)	**–**	–	**–**	–
– non-controlling interests	**(252)**	(146)	**–**	–	**–**	–
Total comprehensive income (expenses) attributable to						
– owners of the Company	**3,718**	26,751	**5,366**	86	**(1,518)**	(981)
– non-controlling interests	**(1,958)**	11,410	**5,157**	83	**(1,086)**	(702)

49. 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 2017 and 2016, no share options were granted under the Scheme by the Company. In addition, as of 31 December 2017 and 2016, no share options under the Scheme were outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amount due to a joint venture	**Borrowings**	**Convertible Bond**	**Amount due to an associate**	**Other Payable**	**Long term Payables**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	198,270	1,513,960	–	2,197	50,000	24,860	1,789,287
Financing cash flows	53,270	1,393,477	655,559	228	28,454*	–	2,130,988
Non-cash changes							
Finance cost recognised *(Note 11)*	–	122,383	3,358	–	–	2,636	128,377
Recognition of transaction cost payable relating to convertible bonds *(Note 32)*	–	–	(10,031)	–	–	–	(10,031)
Offsetting arrangement	(148,270)**	(19,666)#	–	–	–	–	(167,936)
Exchange realignment	–	(48,686)	(7,792)	–	–	–	(56,478)
At 31 December 2017	103,270	2,961,468	641,094	2,425	78, 454	27,496	3,814,207

* Being advance received in respect of share subscription in Guang Da and settlement of payables to a non-controlling shareholder of Xishan Schools.

** Being balances set off as disclosed in Note 23b.

Being balance set off as disclosed in Note 34.

51. FINANCIAL INFORMATION OF THE COMPANY

	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**2,867**	3,951
Investments in subsidiaries	**814,968**	214,220
Available for sale investments	**176,640**	–
Amount due from subsidiaries *(Note a)*	**1,965,975**	1,080,698
Deferred tax assets	**1,522**	–
	2,961,972	1,298,869
CURRENT ASSETS		
Financial asset measured at fair value through profit or loss	**1,899,597**	711,610
Trade and other receivables	**93,137**	18,689
Bank balances and cash	**276,833**	850,768
Restricted bank balances	**4,211**	–
	2,273,778	1,581,067
TOTAL ASSETS	**5,235,750**	2,879,936
CURRENT LIABILITIES		
Amount due to a subsidiary *(Note a)*	**3,847**	90,459
Trade and other payables	**43,537**	36,699
Borrowings – due within one year	**671,994**	10,240
	719,378	137,398
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,516,372**	2,742,538
NON-CURRENT LIABILITIES		
Borrowings – due after one year	**582,629**	98,335
Convertible bonds	**634,149**	–
Deferred tax liabilities	**16,700**	27,483
Embedded derivative components of convertible bonds	**6,947**	–
	1,240,425	125,818
OWNER'S EQUITY		
Share capital	**80,096**	74,941
Reserves *(Note b)*	**3,195,851**	2,541,779
TOTAL OWNER'S EQUITY	**3,275,947**	2,616,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

51. 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 RMB'000	**Translation reserve** RMB'000	**Available for sale reserve** RMB'000	**Retained earnings (losses)** RMB'000	**Total** RMB'000
At 1 January 2016	449,474	–	–	(42,630)	406,844
Issue of new shares	1,976,929	–	–	–	1,976,929
Profit and total comprehensive income for the year	–	64,051	–	93,955	158,006
At 31 December 2016 and 1 January 2017	2,426,403	64,051	–	51,325	2,541,779
Profit for the year	–	–	–	26,303	26,303
Fair value change on available for sale investment	–	–	9,811	–	9,811
Income tax relating to fair value change on available for sale investment	–	–	(1,619)	–	(1,619)
Exchange difference arising on translation to presentation currency	–	(191,663)	–	–	(191,663)
Total comprehensive expense for the year	–	(191,663)	8,192	26,303	(157,168)
Issue of new shares	811,240	–	–	–	811,240
At 31 December 2017	3,237,643	(127,612)	8,192	77,628	3,195,851

52. CONTINGENT EVENTS

As at 31 December 2017, Nanyang Cijan has two on-going litigation cases. The details are as below:

1. A supplier instigated a claim against Nanyang Cijan for payment of transportation costs amounting to RMB5,600,000. The case is still on-going and the Group has accrued RMB5,600,000 in the consolidated financial statements based on the legal advice obtained.

2. Nanyang Cijan filed a claim to a supplier for a dispute relating to warehouse storage services. The legal counsel of the Group estimated that the total loss will be approximately RMB3,060,000 if the claim cannot be sustained by the court. RMB3,060,000 has been recognised in the consolidated financial statements based on the legal advice obtained.

53. EVENT AFTER REPORTING PERIOD

1. On 29 November 2017, the Company announced that Guang Da, an indirectly wholly owned subsidiary of the Company who held 70% equity interest in Nanyang Cijan, entered into a subscription agreement with Xi's Investment Limited ("**Xi Investment**") and Hong Kong Zhiyuan Investment Limited ("**Zhiyuan Investment**"). Pursuant to which (i) Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for 130 shares of Guang Da at the subscription price of HK$46 million in cash; and (ii) Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for 130 shares of Guang Da at the subscription price of HK$46 million in cash. Details of which are set out in the announcement of the Company dated 20 November 2017.

   In January 2018, the above mentioned subscription was completed and the equity interest in Guang Da is held by the Group, Xi Investment and Zhiyuan Investment as to 74%, 13% and 13%, respectively. Upon completion of the share subscription, the equity interest in Nanyang Cijan held by the Group was diluted to 52%. No gain and loss incurred arising from the subscription.

2. On 20 February 2018, the Company entered into a joint venture agreement with a joint partner to establish a fund which has an investment objective of establishing and acquiring preschools in the PRC and operating them under the "MindChamps" brand. Details of which are set out in the announcement of the Company dated 20 February 2018.

3. On 28 February 2018, the Company announced that:

   – The Group acquired 500 ordinary shares in the share capital of SJW International, representing 10% of the total issued shares of SJW International in exchange for 18,140,000 new shares allotted and issued by the Company.

   – The Group acquired 100% equity interest in Kaifeng Tiantai Culture Media Limited* (開封天泰文化傳媒有限公司) in exchange for 76,300,000 new shares allotted and issued by the Company.

     At the date of the issuance of these consolidated financial statements, the purchase price allocation exercise is still in process and no further information relating to the acquisition is available.

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:

"2017 Financial Year"	the financial year ended 31 December 2017
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"AUD"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CFCG Singapore"	CFCG Investment Partners International (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company
"Chairman"	the 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
"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
"Co-CEO(s)" or "Co-Chief Executive Officer(s)"	the co-chief executive officer(s) of the Company
"Company" or "CFCG"	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange
"Company Secretary"	the company secretary of the Company
"Corporate Communications"	the documents issued or to be issued by the Company for the information or action of holders of any of the Company's securities as defined in Rule 1.01 of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company

"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"EGM"	the extraordinary general meeting of the Company
"FC Asset Management"	First Capital Asset Management Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"FC Fund"	First Capital Fund Management Company Limited* (首控基金管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"FC International Finance"	First Capital International Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"FC International Holdings"	First Capital International Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"FC Securities"	First Capital Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons and not a connected person of the Company
"INED(s)"	the independent non-executive Director(s)
"IPO"	initial public offering
"Jinlu Group"	Sichuan Jinlu Group Co., Ltd., a company incorporated in the PRC with limited liability, whose issued shares are listed on the Shenzhen Stock Exchange
"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

GLOSSARY (Continued)

"Model Code"	the 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"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGD"	Singapore dollars, the lawful currency of Singapore
"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 Option Scheme"	the share option scheme adopted by the Company pursuant to the ordinary resolution of the Shareholders passed on 19 October 2011
"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$0.02 each with effect from 28 February 2017
"Shareholder(s)"	the holder(s) of the Share(s)
"Stirling Coleman"	Stirling Coleman Capital Limited, a company incorporated in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "US"	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Wealth Max"	Wealth Max Holdings Limited, a company incorporated in the BVI with limited liability, is a substantial Shareholder and is wholly-owned by Dr. Wilson Sea (formerly known as 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*

CFCG

中國首控集團有限公司

China First Capital Group Limited