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

首控文化

The Core Cultural Concepts of CFCG


相信
Belief


溝通
Communication

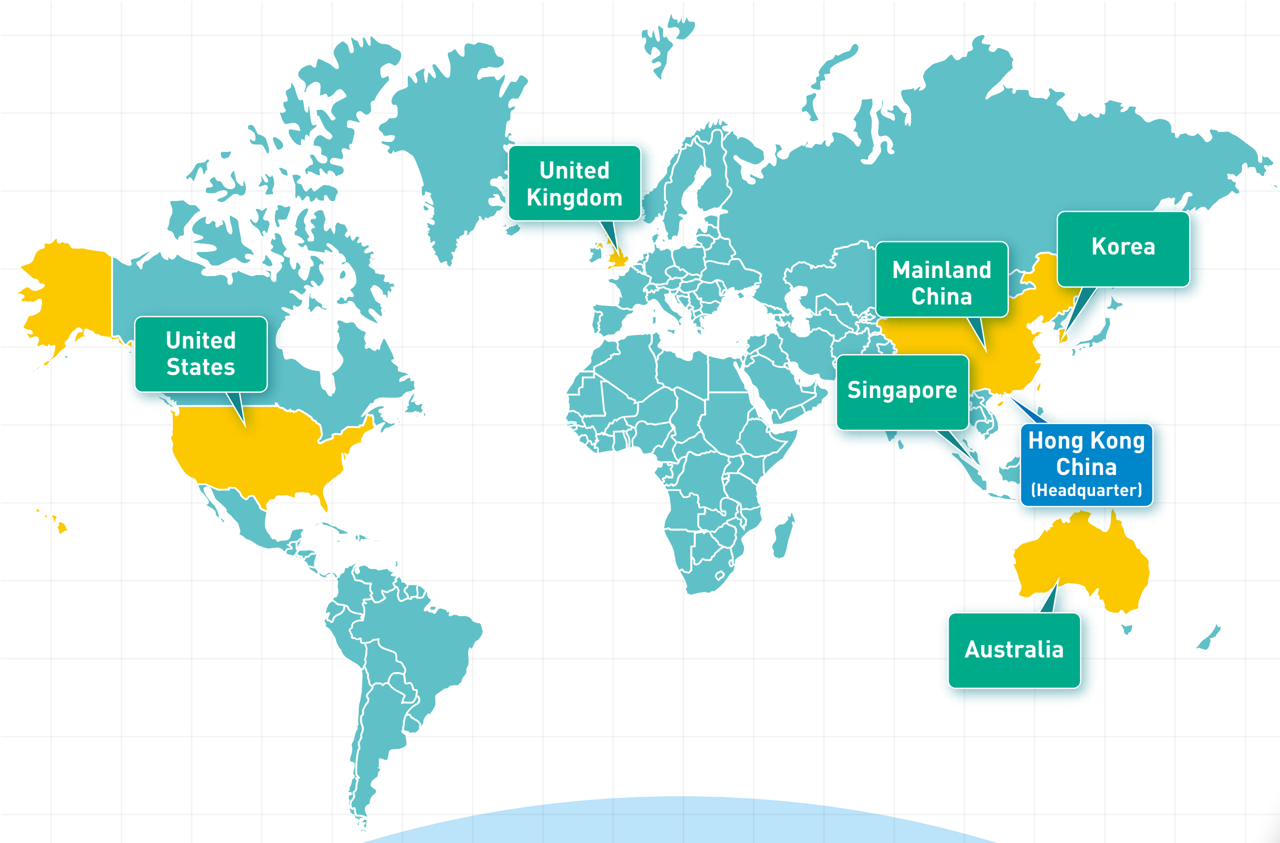

感恩
Gratitude


學習
Learning


寬容
Inclusive


原則
Principle

Educational and financial resources worldwide



About CFCG

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Dr. DU Xiaotang[+]
Mr. LOO Cheng Guan[#]

AUDIT COMMITTEE

Mr. CHU Kin Wang, Peleus *(Chairman)*
Dr. DU Xiaotang[+]
Mr. LOO Cheng Guan[#]

REMUNERATION COMMITTEE

Dr. DU Xiaotang[+] *(Chairman)*[#]
Mr. ZHAO Zhijun
Mr. CHU Kin Wang, Peleus

NOMINATION COMMITTEE

Dr. Wilson SEA *(Chairman)*
Mr. CHU Kin Wang, Peleus
Mr. LOO Cheng Guan[#]

STRATEGY COMMITTEE

Dr. Wilson SEA *(Chairman)*
Mr. ZHAO Zhijun
Dr. ZHU Huanqiang
Mr. LOO Cheng Guan[#]

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Mr. HUNG Man Yuk, Dicson

AUTHORISED REPRESENTATIVES

Dr. ZHU Huanqiang
Mr. HUNG Man Yuk, Dicson

HONG KONG LEGAL ADVISER

Loeb & Loeb LLP

PRINCIPAL BANKERS

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

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

[+] with effect from 19 July 2019
[#] with effect from 17 February 2020

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

Unit 2903, 29/F, Centralcon Tower
No.3088, Jintian 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 54, 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 – Major Events

2019

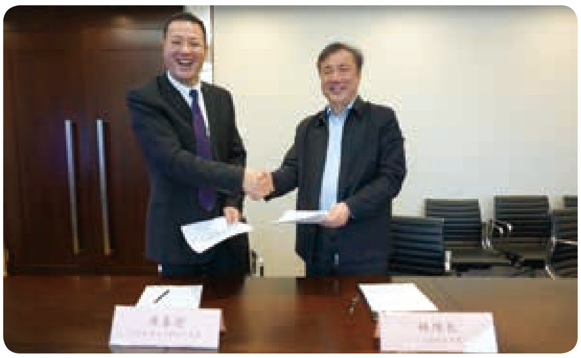
January

FC Securities acted as the joint bookrunner and the joint lead manager for the listing of Zhejiang Cangnan Instrument Group Company Limited (stock code: HK.1743)

March


ERNEST BOREL HOLDINGS LIMITED
依波路控股有限公司
（股份代號：1856）
(1) 恢復公眾持股量
(2) 恢復買賣
首控證券

FC Securities acted as the sole placing agent for the share placing of the substantial shareholder of Ernest Borel Holdings Limited (stock code: HK.1856)



CFCG entered into a strategic cooperation framework agreement with Beifang International Education Group (北方國際大學聯盟), the largest private higher education alliance in China currently

April


LICENCE UNDER THE
SECURITIES AND FUTURES ORDINANCE, CAP. 571

Name of corporation: First Capital International Finance Limited

Central entity no.:

Date of issue:

FC International Finance was admitted by the SFC to be a sponsor under the SFO

June

FC Securities acted as the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Rizhao Port Jurong Co., Ltd. (stock code: HK.6117)

FC Securities acted as the joint lead manager for the listing of Scholar Education Group (stock code: HK.1769)

Business Highlights – Major Events *(Continued)*

August

CFCG entered into a cooperation agreement with EKYL (Beijing) Education Technology Limited* (恩科雨露(北京)教育科技有限責任公司), which focuses on primary and secondary school education curriculum reform, and innovation of teaching models and methods

September

FC Fund entered into an agreement to invest in Shanghai Puyuan Education Technology Limited* (上海璞遠教育科技有限公司), which focuses on the research and development and operation of STEAM courses

FC International Finance acted as the joint sponsor for the deemed new listing application of United Strength Power Holdings Limited (stock code: HK.2337)

October

FC Securities acted as the joint bookrunner and joint lead manager for the listing of CR Construction Group Holdings Limited (stock code: HK.1582)

November

FC Securities acted as the joint lead manager for the listing of Huali University Group Limited (stock code: HK.1756)

December

FC Securities acted as the joint lead manager for the listing of Chen Lin Education Group Holdings Limited (stock code: HK.1593)

Business Highlights – Awards

2019 China Financial Market Awards – Best Brand Value Award and Best Sustainable Development Report

"2019 China Financial Market Awards" is jointly-organised by China Financial Market (a high-end financial magazine of the Hong Kong capital market), the Listed Companies Council of the Hong Kong Chinese Enterprises Association and many other authoritative associations. It aimed to improve the brand influence and reputation of outstanding enterprises in the global capital market, increase the attention to and understanding of enterprises among investors of domestic and overseas, and at the same time promote the in-depth communication between enterprises and investors, demonstrate enterprise value and increase its visibility. The awards was divided into three main categories, namely enterprises, institutions and individuals, in an effort to identify outstanding model of enterprises in the Greater China region and recognise their outstanding performance.

2019 ACT GAC Outstanding Partner

In October 2019, the 2019 ACT GAC Summit & PD Conference was held in Guiyang, where hundreds of international educators of domestic and overseas gathered together to share, communicate and explore the experience and achievements in international school operations, international courses, and application for studying abroad. Edukeys Group was conferred the "2019 ACT GAC Outstanding Partner" award for the PGA high school international programme under its operation.

First and second prizes in the 7th Chinese Secondary Students Dragon Dance and Lion Dance Championships

In August 2019, China School Sports Federation hosted the 7th Chinese Secondary Students Dragon Dance and Lion Dance Championships, where 35 teams from all over the country had fierce competition in teaching double dragons, specified exercise and optional exercise. Students from Jiangxi Xishan won the first prize of dragon dance optional exercise (high school male) and the second prize of dragon dance specified exercise (high school male).

Two gold, three silver and one bronze medals in 2019 Jiangxi Youth Martial Arts Championships

In August 2019, the Sports Bureau of Jiangxi Province and the Education Department of Jiangxi Province hosted 2019 Jiangxi Youth Martial Arts Championships, which is participated by 306 players from 11 cities of Jiangxi Province. After three days of fierce competition, students from Jiangxi Xishan won the first place in women's long fist (Group C) and women's spearplay (Group C), the first-runner up in women's fencing (Group C), women's spearplay (Group C) and women's fencing (Group B), and the second-runner up in women's fencing (Group B).

Business Highlights – Awards *(Continued)*

Champion in 2019 "JINGYINGBEI" Fujian-Guangdong-Jiangxi Youth Football Invitational Tournament

In October 2019, 2019 "JINGYINGBEI" Fujian-Guangdong-Jiangxi Youth Football Invitational Tournament took place in Fuzhou, an event designed to promote the development of youth football and improve the youth's football skills. It also provided a platform for mutual communication and learning to young football enthusiasts of the three nearby provinces of Fujian, Guangdong and Jiangxi. The football team of Fuqing Xishan gained championship with victory in every competition, and snatched the awards of "Best Coach", "Best Player" and "Best Goalkeeper".

Champions in two groups of 2019-2020 National Cheerleading League

In October 2019, almost 2,000 athletes from a total of 84 teams from universities, secondary and primary schools and clubs from all over the country participated in 2019-2020 National Cheerleading League (Shishi). The cheerleading team of Xishan Schools won the first place for specified exercise in public juvenile group B skill level 0 (2016), the first place for specified exercise in public juvenile group A skill level 1 (2016), and the 6th place for optional exercise in public juvenile group A collective flowerball, and obtained the participation right representing China in 2019-2020 World Cheerleading Championship.

Business Highlights – Social Responsibilities

Establishment of Wellbeing Research Centre with University of Oxford

In September 2019, the "Oxford University Harris Manchester College Hong Kong Alumnus Reception & Oxford University Wellbeing Research Centre Global Launch" was held at Conrad Hotel, Hong Kong. KSI Education has become the exclusive founding partner of the research centre. The Oxford University Wellbeing Research Centre is designed to facilitate the interdisciplinary studies in the field of wellbeing to advance the understanding of human wellbeing and become a major platform for helping communities around the world put wellbeing at the heart of their decision-making, and continuously play a positive role on decision-making as a high-end think tank.

Platinum Sponsorship to "Principal Chan Free Tutorial World"

In July 2019, "Charity Green Gala", an event organised by "Principal Chan Free Tutorial World", took place in Tsim Sha Tsui, Hong Kong. CFCG platinum-sponsored this activity with a charitable donation, and received a certificate of appreciation under the name "CFCG Scholarship". The scholarship shall be used for helping under-privileged students, encouraging them to study hard and making bigger progresses. "Principal Chan Free Tutorial World" is a non-profit charitable organisation specialising in providing free one-to-one tutorials to under-privileged students who have poor academic performance. The institution has over 12,000 students and over 9,000 volunteer teachers.

Business Highlights – Social Responsibilities *(Continued)*

"CFCG Lectures" Charity Walk to Universities

In 2019, Dr. Wang Hui, chief financial officer of CFCG, led the financial team to offer charitable "CFCG Lectures", a series of professional lectures including "Road to Excellence in Financial Personnel's Growth", "PE Investment Practice and Post-investment Management of Educational Projects", "The Keys to Financial Management for Listed Companies", "Interpreting VIE: Application Scenarios, Structure Building and Financial Impact", "Practice of Consolidated Statements" and "Career Planning" at PBC School of Finance of Tsinghua University, Henan University of Economics and Law, Jiangxi University of Finance and Economics, and Jiangxi University of Science and Technology. The lectures illustrated the understanding and application of professional knowledge to university students from the perspective of enterprise practice, with a view to helping students cultivate good working habits and methods and enhancing their practical skills in the financial profession.

Organisation of Charitable Seminar for Secondary Students with Tencent

In November 2019, CFCG and "Youth Travel" (a charity platform under Tencent) co-organised "The Keys to Time Management and Effective Learning", a charitable talk for secondary students in the Guangdong-Hong Kong-Macao Greater Bay Area. The talk received fervent applicants and a full house of audience. Through in-depth analysis in simple language, Dr. Wang Hui addressed the confusion from secondary students and helped them to improve learning habits, thereby earning wide acclaim among parents and students. "Youth Travel" is a research and study charitable platform built by Tencent to connect with reputable corporates, schools and social organisations in the Guangdong-Hong Kong-Macao Greater Bay Area, to provide social practice and learning opportunities in different areas for the youths in this area.

Books Donation and Sharing Activity in Xishan Schools

In 2019, CFCG and Xishan Schools launched a book donation and sharing activity, a total of nearly 10,000 books were donated and approximately RMB167,000 of donations was received for purchasing books. The donated books were distributed to classrooms and dormitories, and used in book sharing meetings and speech competitions to encourage students to share their reading experience, helping them to develop good reading habits, enriching their afterschool lives and creating a campus with a conducive atmosphere for reading.

Organisation of Charitable Speech Forum TEDx Conference

In October 2019, the charitable speech forum TEDx Conference was held at Fuqing Xishan. Themed "Stay Hungry", the conference invited six guests from different industries to share their unique perspectives on "Stay Hungry", bringing teachers and students a feast of exchanging on thoughts and ideas. TED (Technology, Entertainment, Design) is the largest charitable speech forum in the world with the aim of "Changing the World with the Power of Ideas". TEDx is an independent district conference officially authorised by TED, with an aim to allow more people to enjoy unprecedented "Brain SPAs" via the platform of TED.

Financial Summary

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,436,037**	1,810,797	1,865,247	1,474,059	1,087,737
Cost of sales/services	**(1,075,822)**	(1,305,351)	(1,389,195)	(1,090,991)	(862,401)
Gross profit	**360,215**	505,446	476,052	383,068	225,336
Other income and expenses, other gains and losses	**(157,458)**	735	29,366	19,275	(7,948)
Expected credit losses/impairment losses, net of reversal	**(196,937)**	(61,303)	4,819	(5,963)	(3,392)
Fair value changes of financial assets measured at FVTPL	**(976,796)**	(906,072)	(70,835)	354,894	–
Fair value changes of contingent consideration payables	**(98,188)**	(251)	–	–	–
Fair value changes of embedded derivative components of convertible bonds	**13,373**	(5,865)	–	–	–
Selling and distribution expenses	**(125,759)**	(108,862)	(128,600)	(97,327)	(82,575)
R&D expenditure	**(51,327)**	(48,935)	(46,180)	(43,399)	(36,571)
Administrative expenses	**(343,317)**	(386,376)	(442,566)	(286,945)	(83,209)
Finance costs	**(285,991)**	(245,815)	(128,428)	(43,371)	(35,961)
Share of results in associates	**1,231**	222	1,536	–	–
Share of results in joint ventures	**(397,737)**	(92,405)	(37,801)	(4,516)	–
(Loss) profit before tax	**(2,258,691)**	(1,349,481)	(342,637)	275,716	(24,320)
Taxation	**1,491**	(6,890)	42,766	(87,440)	(3,390)
(Loss) profit for the year	**(2,257,200)**	(1,356,371)	(299,871)	188,276	(27,710)
Other comprehensive income (expense) for the year, net of income tax	**69,528**	148,076	(176,570)	5,365	1,198
Total comprehensive (expense) income for the year	**(2,187,672)**	(1,208,295)	(476,441)	193,641	(26,512)
(Loss) profit for the year attributable to:					
Owners of the Company	**(2,187,830)**	(1,386,813)	(302,169)	178,664	(22,631)
Non-controlling interests	**(69,370)**	30,442	2,298	9,612	(5,079)
	(2,257,200)	(1,356,371)	(299,871)	188,276	(27,710)

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(2,128,163)**	(1,230,657)	(478,487)	184,850	(21,433)
Non-controlling interests	**(59,509)**	22,362	2,046	8,791	(5,079)
	(2,187,672)	(1,208,295)	(476,441)	193,641	(26,512)
(Loss) earnings per Share – Basic# (RMB)	**(0.44)**	(0.28)	(0.07)	0.05	(0.01)
– Diluted (RMB)	**(0.44)**	(0.28)	(0.07)	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 Share Subdivision which became effective on 28 February 2017.

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,786,759**	4,025,140	3,752,666	2,551,273	707,996
Current assets	**3,025,834**	5,774,672	5,603,953	4,863,403	1,169,575
Total assets	**5,812,593**	9,799,812	9,356,619	7,414,676	1,877,571
Current liabilities	**(3,743,467)**	(4,958,244)	(3,282,440)	(3,393,565)	(1,046,259)
Total assets less current liabilities	**2,069,126**	4,841,568	6,074,179	4,021,111	831,312
Non-current liabilities	**(1,009,078)**	(1,501,396)	(2,612,393)	(911,279)	(77,276)
Owners' equity	**1,060,048**	3,340,172	3,461,786	3,109,832	754,036
Non-controlling interests	**397,341**	577,123	291,891	287,767	125,341
Equity attributable to owners of the Company	**662,707**	2,763,049	3,169,895	2,822,065	628,695


WILD
HIPROPWILD

Chairman's Statement

Chairman's Statement

A portrait by Gong Taoyu (aged 15), a child of Nanyang Cijan's employee

Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the 2019 Financial Year.

In 2019, with tremendous support from the Shareholders, customers, fellow colleagues and the society, the Group continues to take "Finance Empowers Education, Education Lights Up Future" as our mission to establish a trinitarians interactive business mode, which capitalises educational investment and operations as bases and educational management service and educational financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education".

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

In 2019, the Chinese government launched a series of measures with an aim to accelerate education modernisation, strengthen education reform, improve education quality, develop fairer and higher quality education, and promote the regulated and orderly development of the education industry in a healthy way. In line with the trend, the Group has adopted a model of endogenous growth which mainly focused on management improvement. The Group emphasised on quality literacy education, featured K-12 education, international education as well as media arts education for the purpose of establishing its core business model. The Group also optimised its allocation of educational resources, promoted project synergy and integration in respect of curriculums, teachers, brands and operation, and explored the potentiality of education assets and enhanced their intrinsic value to establish the Group's core competitiveness.

In 2019, the Group committed to its education aspiration, actively integrated high-quality educational resources in domestic and overseas, adapted to education market demands, and promoted cooperation and resources sharing amongst education projects. The invested educational projects of the Group vigorously developed their featured education such as football, martial arts, physical education and fine arts. They introduced innovative teaching philosophy, worked with well-known teachers and education experts, promoted teaching and curriculum reform, and actively explored "student-oriented classroom" and STEAM teaching etc. The Group always remembered its social responsibility and actively organised different kinds of education charity activities such as CFCG Lectures, charitable talk and charitable speech.

In 2019, the Group was admitted by the SFC to be a sponsor under the SFO. Leveraging on its diversified financial services licences and consummate financial services system, the Group integrated to use multiple financial instruments and strategies to provide various entities with featured, differentiated and professional financial services. The Group successively served as a joint sponsor, joint global coordinator, joint bookrunner, joint lead manager, independent financial advisor, financial advisor and agent to a number of projects, thus its financial services developed rapidly.

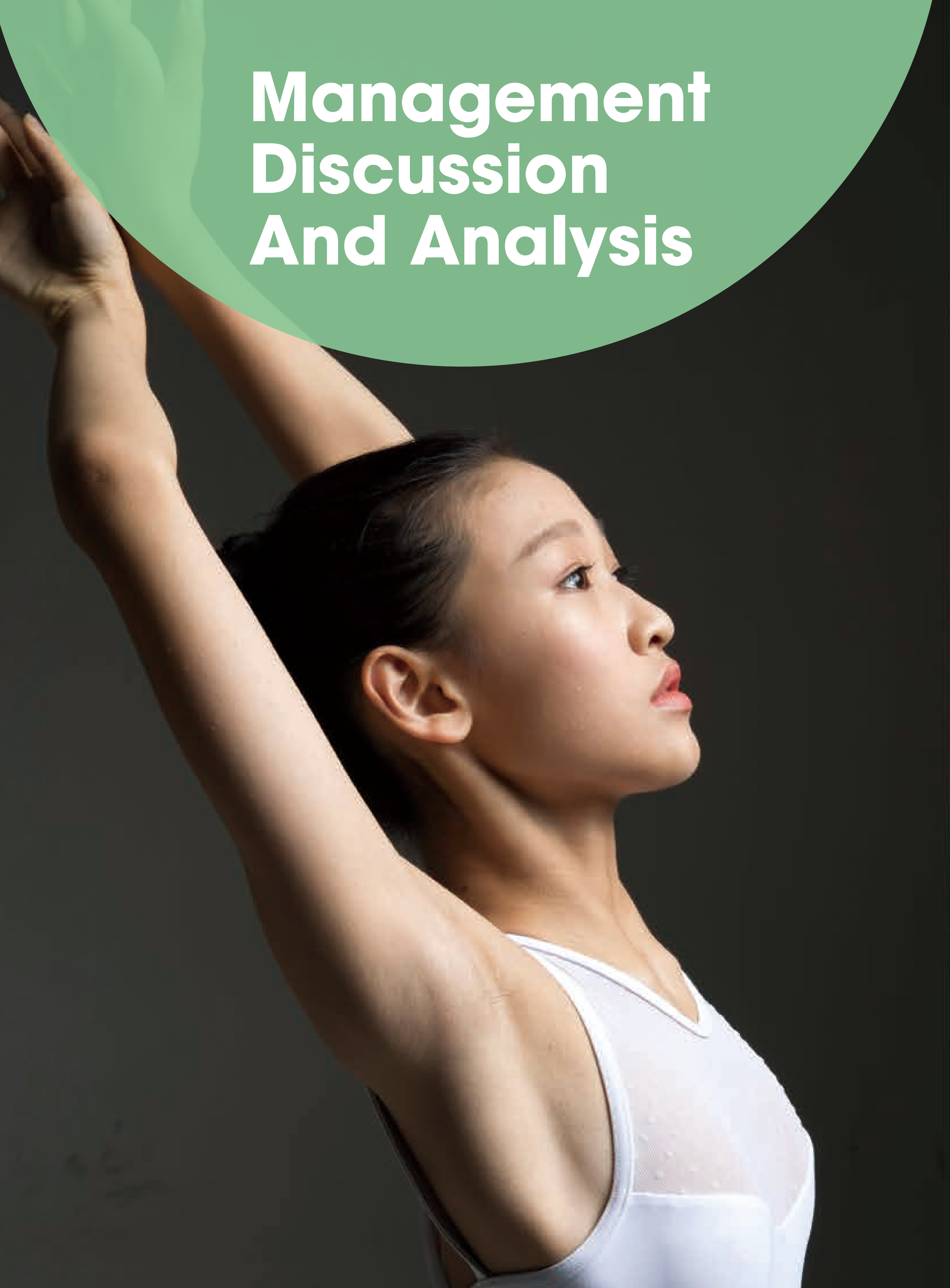
In 2019, facing the recession of the automobile industry and increasingly fierce market competitions, the automotive parts business of the Group adhered to the principal thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", exerted its existing advantages on brands and technologies to ramp up the level of product R&D and quality control and to establish efficient and productive factories. While strengthening the existing markets, the Group deeply explored the potentiality of the market, and further developed new markets such as the after-sales market and the international market.

In 2020, the Group will continue to commit to the original thoughts of "Whoever you are, you have a right to learn" and "Everyone can become a successful man", focus on the future and be loyal to our mission. Leveraging on its accumulation in educational talents reserve, project investment experience, physical schools management and innovation of business models, the Group will further expand its presence across the global education market, incorporate advanced educational concepts and methods through its international insight, allocate quality eastern and western educational resources, and support holistic education and quality education for the general public in order to light up the journey of success for every child. The Group will also leverage on its strategic composition of the education industry and focus on educational financial services. Through close collaboration of its business units including investment banking, securities, asset management and research, the Group will adhere to the strategies of differentiation and characteristic development in order to build a boutique education investment bank with distinctive characteristics.

"Without going through chilling to the bones once, how could the fragrance of plum blossom be smelled?" In the new year, we are full of confidence and anticipation, wish to make progress together with our Shareholders, business partners and fellow colleagues, pursue innovation with concerted efforts, sharpen our focus and turn a new page with a fresh start.

Wilson SEA
Chairman and Executive Director
29 April 2020

Management Discussion And Analysis



Management Discussion And Analysis

"Education is for everyone and the world belongs to all"

Tao Xingzhi

INTRODUCTION

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

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

BUSINESS REVIEW

Education Operation Business

Education serves as the foundation of national development in long run. Education is the fundamental means for mankind to inherit their cultural heritage and knowledge, cultivate the younger generation and work for a better living. Upon the march of time, the importance of knowledge and talents are increasing, whereas the role and function of education are protruding. With the increasing disposable income of citizens in China, the growing population of middle class and the implementation of the "Universal Two-child Policy" across the country, the huge population

base and increasing competition among talents and employment have resulted in continuous rigid demand for quality education. As one of the largest education markets in the world, China has always emphasised on education development with the state-financial spending on education consecutively accounted for more than 4% of the GDP in recent years. In order to develop fairer and higher quality education, the government has introduced multiple policies, accelerating the education modernisation, strengthening the education reform, improving education quality vigorously, encouraging social forces to invest in education and promoting the development of the private education sector steady and healthy, which bring long-term development opportunities to enterprises truly committed to education.

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

During the year under review, the Group actively integrated high-quality educational resources in domestic and overseas, adapted to educational market demands and promoted cooperation and resources sharing among educational projects in order to achieve industry empowerment. In March 2019, the Company entered into a strategic cooperation framework agreement with Beifang International Education Group (北方國際大學聯盟), the largest private higher education alliance in China currently, to cooperate in areas such as investment, mergers and acquisitions, operations and management in respect of higher education; cultivation of K-12 education

management service platforms; introduction, adaptation and integration of domestic and overseas quality educational resources; and establishment of listing platforms for arts and media sectors. In April 2019, Xishan Schools and Yinghua School respectively became sister schools with Kingsley School from the United Kingdom invested by KSI Education, in order to fully play to their respective strengths through exchanges and collaborations in areas such as education philosophy, education and teaching, development of featured programmes, teacher and student exchanges and resource sharing. During the summer holiday of 2019, the Group organised a variety of international exchange activities. Some Chinese students went on study tours to the United Kingdom, the United States, Canada and Singapore to experience pure English learning environment and native education, while some British and Singaporean students came to China and partnered with their Chinese counterparts to experience Chinese culture both in class and off the campus.

Staying gold to its education aspiration, the Group organised different kinds of education charity activities during the year under review, for example Fuqing Xishan TEDx Conference (a charitable speech with the theme of "Stay Hungry"), a charitable talk co-organised with Tencent "Youth Travel (青年行)" for secondary students in the Guangdong-Hong Kong-Macao Greater Bay Area, book donation and sharing

activity, so as to nurture the healthy growth of students with love. The Group also offered a series of lectures, the "CFCG Lectures", where students from PBC School of Finance of Tsinghua University, Henan University of Economics and Law, Jiangxi University of Finance and Economics and Jiangxi University of Science and Technology were coached on the understanding and application of professional knowledge in the perspective of enterprise practice. During the year under review, the Wellbeing Research Centre of the University of Oxford was established which KSI Education served as the founding partner. The centre is designed to bring together scholars from Oxford and beyond to advance the understanding of human wellbeing and become a major platform for helping communities around the world put wellbeing at the heart of their decision-making.

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

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

Financial Services Business

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

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

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

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

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

Automotive Parts Business

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

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

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

OUTLOOK

Education Operation Business

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

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

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

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

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

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

Financial Services Business

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

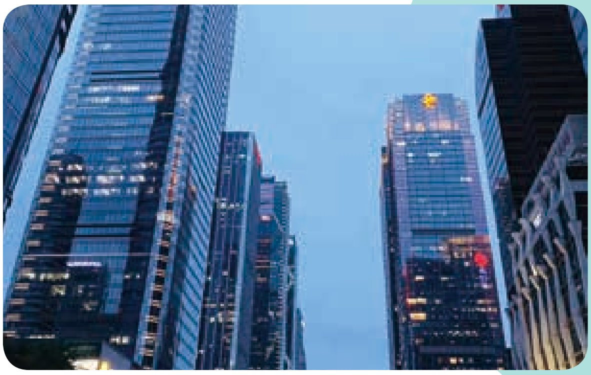
The Chinese government is committed to building a comprehensive platform to connect markets across the border. The "Shanghai-Hong Kong Stock Connect", the "Shenzhen-Hong Kong Stock Connect", the "Bond Connect" and the "Shanghai-London Stock Connect" have been launched consecutively in recent years. China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

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

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

Automotive Parts Business

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



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

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's overall revenue decreased by approximately 20.7% to approximately RMB1,436.0 million from approximately RMB1,810.8 million in 2018, of which revenue from automotive parts business decreased by approximately 32.2% to approximately RMB917.8 million from approximately RMB1,353.9 million in 2018, revenue from financial services business decreased by approximately 35.7% to approximately RMB96.7 million from approximately RMB150.3 million in 2018, and revenue from education operation business increased by approximately 37.5% to approximately RMB421.5 million from approximately RMB306.6 million in 2018. The decrease in revenue was mainly due to the decline in sales of automotive parts business.

Cost of sales/services

For the year ended 31 December 2019, the Group's overall cost of sales/services decreased by approximately 17.6% to approximately RMB1,075.8 million from approximately RMB1,305.4 million in 2018, of which cost of sales from automotive parts business decreased by approximately 28.2% to approximately RMB789.3 million from approximately RMB1,099.3 million in 2018, cost of services from financial services business decreased by approximately 87.0% to approximately RMB6.8 million from approximately RMB52.5 million in 2018, and cost of services from education operation business increased by approximately 82.1% to approximately RMB279.7 million from approximately RMB153.6 million in 2018. The decrease in cost of sales/services was mainly due to the decrease in sales of automotive parts business.

Gross profit

For the year ended 31 December 2019, the Group's overall gross profit decreased by approximately 28.7% to approximately RMB360.2 million from approximately RMB505.4 million in 2018, of which gross profit from automotive parts business decreased by approximately 49.5% to approximately RMB128.5 million from approximately RMB254.6 million in 2018, gross profit from financial services business decreased by approximately 8.1% to approximately RMB89.9 million from approximately RMB97.8 million in 2018, and gross profit from education operation business decreased by approximately 7.3% to approximately RMB141.8 million from approximately RMB153.0 million in 2018. The decrease in gross profit was mainly due to the decrease in sales of automotive parts business.

Gross profit margin

For the year ended 31 December 2019, the Group's overall gross profit margin decreased by approximately 2.8 percentage points to approximately 25.1% from approximately 27.9% in 2018, of which gross profit margin of automotive parts business decreased by approximately 4.8 percentage points to approximately 14.0% from approximately 18.8% in 2018, gross profit margin of financial services business increased by approximately 27.9 percentage points to approximately 93.0% from approximately 65.1% in 2018, and gross profit margin of education operation business decreased by approximately 16.3 percentage points to approximately 33.6% from approximately 49.9% in 2018. The decrease in gross profit margin was mainly due to the decrease in gross profit of automotive parts business.

Other income and expenses

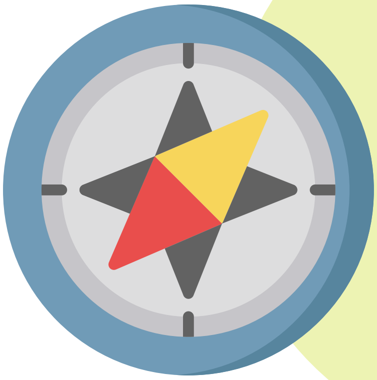
For the year ended 31 December 2019, the Group recorded other income of approximately RMB99.4 million, representing an increase of approximately RMB5.7 million from approximately RMB93.7 million in 2018. Such income was primarily the interest income.

Other gains and losses

For the year ended 31 December 2019, the Group recorded other gains of approximately RMB14.5 million as compared with other losses of approximately RMB93.0 million in 2018. Such gains were primarily the dividend income and the gain on disposal of a subsidiary of the Company.

Expected credit losses

For the year ended 31 December 2019, the Group's provision on expected credit losses amounted to approximately RMB196.9 million, representing an increase of approximately RMB135.6 million from approximately RMB61.3 million in 2018. The Group recognised the expected credit losses based on the internal credit rating and historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the year as well as the forecast of future conditions.



Impairment losses on goodwill, tangible and intangible assets

For goodwill and intangible assets with indefinite useful life, the Group conducted impairment test annually and assessed the impairment based on the valuation carried out by an independent professional valuer. For the year ended 31 December 2019, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB271.4 million (2018: Nil). Such losses primarily represented the impairment of goodwill, tangible and intangible assets of certain cash-generating units (the "**CGU**").

As at 31 December 2019, the recoverable amount of CGU of Nanyang Cijan amounting to approximately RMB672.4 million was determined by valuer based on guideline companies method (31 December 2018: value in use calculation), while related goodwill amounting to approximately RMB29.7 million has been impaired.

As at 31 December 2019, the recoverable amount of CGU of Brilliant Rich Holdings Limited amounting to approximately RMB6.6 million was determined by valuer based on value in use calculation, while related goodwill amounting to approximately RMB59.7 million and related tangible and intangible assets amounting to approximately RMB3.0 million have been impaired.

As at 31 December 2019, the recoverable amount of CGU of Stirling Coleman amounting to approximately RMB38.4 million was determined by valuer based on market approach (31 December 2018: value in use calculation), while related goodwill amounting to approximately RMB12.0 million and related intangible assets amounting to approximately RMB23.0 million have been impaired.

As at 31 December 2019, the recoverable amount of CGU of Xinjiang Edukeys amounting to approximately RMB223.4 million was determined by valuer based on value in use calculation, while related goodwill amounting to approximately RMB143.8 million has been impaired.

Selling and distribution expenses

For the year ended 31 December 2019, the Group's selling and distribution expenses increased by approximately 15.5% to approximately RMB125.8 million from approximately RMB108.9 million in 2018. Such increase was mainly due to the increase in the after-sales service expenses incurred and accrued in the automotive parts business.

R&D expenditure

For the year ended 31 December 2019, the Group's R&D expenditure increased by approximately 4.9% to approximately RMB51.3 million from approximately RMB48.9 million in 2018. Such increase was mainly due to the investment in the R&D centers of automotive parts business.

Administrative expenses

For the year ended 31 December 2019, the Group's administrative expenses decreased by approximately 11.2% to approximately RMB343.3 million from approximately RMB386.4 million in 2018. Such decrease was mainly due to the Group's enhancement in the management of administrative expenses, optimisation of office premises and the remuneration of management personnel.

Finance costs

For the year ended 31 December 2019, the Group's finance costs increased by approximately 16.4% to approximately RMB286.0 million from approximately RMB245.8 million in 2018.

Taxation

For the year ended 31 December 2019, the Group's taxation was the income tax credit of approximately RMB1.5 million as compared with the income tax expense of approximately RMB6.9 million in 2018. Such change was mainly due to the decrease in the current income tax expense of the PRC and the deferred income tax liabilities.

Loss for the year

For the year ended 31 December 2019, the Group recorded a loss of approximately RMB2,257.2 million, representing an increase of approximately 66.4% as compared to a loss of approximately RMB1,356.4 million in 2018. Such loss was mainly due to (i) the investment losses arising from the sales and the unrealized (non-cash) loss arising from the unfavourable fair value changes of financial assets measured at FVTPL; (ii) the loss recorded in the share of results of joint ventures; and (iii) the decrease in the revenue and gross profit of the Group.

Loss per Share

For the year ended 31 December 2019, the basic and diluted loss per Share of the Group amounted to approximately RMB0.44, while the basic and diluted loss per Share amounted to approximately RMB0.28 in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities/assets

The Group adopts prudent financial policies, closely monitors its financial positions, and maintains adequate working capital and liquidity, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2019, the Group's net current liabilities amounted to approximately RMB717.6 million as compared with the net current assets amounted to approximately RMB816.4 million as at 31 December 2018. Such change was mainly due to the losses arising from sales and unfavourable fair value changes of financial assets measured at FVTPL.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK$. As at 31 December 2019, the Group's cash and bank balances amounted to approximately RMB231.6 million, representing a decrease of approximately 23.6% as compared with that of approximately RMB303.0 million as at 31 December 2018.

The borrowings of the Group are denominated in RMB, HK$ or US$. The Group regularly reviews and monitors the borrowings level. As at 31 December 2019, the Group's total borrowings amounted to approximately RMB1,809.8 million, representing a decrease of approximately 40.7% as compared with that of approximately RMB3,051.4 million as at 31 December 2018. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB1,236.8 million, representing a decrease of approximately 37.7% as compared with that of approximately RMB1,985.0 million as at 31 December 2018; (ii) borrowings due over one year but within two years amounted to approximately RMB252.6 million, representing an decrease of approximately 59.7% as compared with that of approximately RMB626.9 million as at 31 December 2018; (iii) borrowings due over two years but within five years amounted to approximately RMB187.8 million, representing an decrease of approximately 39.7% as compared with that of approximately RMB311.7 million as at 31 December 2018; and (iv) borrowings due over five years amounted to approximately RMB132.5 million, representing an increase of approximately 3.7% as compared with that of approximately RMB127.8 million as at 31 December 2018.

As at 31 December 2019, the interests of approximately RMB1,402.3 million of the Group's total borrowings (31 December 2018: approximately RMB2,930.8 million) are calculated at fixed interest rates.

As at 31 December 2019, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 33.6% (31 December 2018: approximately 33.0%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2019, the Group's inventories amounted to approximately RMB205.1 million, representing an increase of approximately 49.1% as compared with that of approximately RMB137.6 million as at 31 December 2018. Such increase was mainly due to the increase in finished goods of automotive parts business. For the year ended 31 December 2019, the average turnover days of inventory were approximately 58.1 days (2018: approximately 51.1 days). The average turnover days of inventory were calculated as the average of opening and closing balances of inventory for the year divided by cost of sales/services for the year and multiplied by 365 days.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2019, the Group's trade receivables amounted to approximately RMB435.4 million, representing a decrease of approximately 20.2% as compared with that of approximately RMB545.5 million as at 31 December 2018. Such decrease was mainly due to the decrease in sales of automotive parts business. For the year ended 31 December 2019, the average turnover days of trade receivables were approximately 124.7 days (2018: approximately 108.7 days). The average turnover days of trade receivables were calculated as the average of opening and closing balances of trade receivables for the year divided by revenue for the year and multiplied by 365 days.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2019, the Group's trade payables amounted to approximately RMB627.9 million, representing a decrease of approximately 6.1% as compared with that of approximately RMB668.7 million as at 31 December 2018. For the year ended 31 December 2019, the average turnover days of trade payables were approximately 220.0 days (2018: approximately 170.8 days). The average turnover days of trade payables were calculated as the average of opening and closing balances of trade payables for the year divided by cost of sales/services for the year and multiplied by 365 days.

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, SGX, Australian Securities Exchange, SSE and SZSE as well as investments in unlisted entities. As at 31 December 2019, the investment cost of such investments was approximately RMB1,398.4 million (31 December 2018: approximately RMB3,382.8 million), and the fair value was approximately RMB960.7 million (31 December 2018: approximately RMB2,631.3 million), which was equivalent to approximately 16.5% (31 December 2018: approximately 26.9%) of the total assets of the Group as at 31 December 2019. For the year ended 31 December 2019, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB976.8 million (2018: approximately RMB906.1 million). Such loss was mainly due to the loss arising from the Group's disposal of the shares of Virscend Education Company Limited ("**Virscend Education**"), a company listed on the Main Board of the Stock Exchange (stock code: 1565).

The Group's interests in joint ventures represented the investments in joint ventures. As at 31 December 2019, the investment cost of such investments was approximately RMB1,105.2 million (31 December 2018: approximately RMB1,157.1 million), and the carrying amount was approximately RMB571.9 million (31 December 2018: approximately RMB1,017.4 million), which was equivalent to approximately 9.8% (31 December 2018: approximately 10.4%) of the total assets of the Group as at 31 December 2019. For the year ended 31 December 2019, the share of results of joint ventures of the Group recorded a loss of approximately RMB397.7 million (2018: approximately RMB92.4 million). Such loss was mainly due to the unrealised (non-cash) loss arising from the unfavourable fair value changes of financial assets measured at FVTPL held by joint ventures.

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the year ended 31 December 2019, the Group's capital expenditures were approximately RMB180.7 million (2018: approximately RMB111.2 million), which were primarily the expenses of automotive parts business and education operation business in respect of additions to properties, plants and equipment.

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

As at 31 December 2019, the Group's capital commitments to additional properties, plants and equipment amounted to approximately RMB67.1 million (31 December 2018: approximately RMB24.2 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

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

HUMAN RESOURCES

As at 31 December 2019, the Group had 3,896 employees (31 December 2018: 4,114 employees). For the year ended 31 December 2019, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB432.1 million (2018: approximately RMB396.8 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

INTEREST RATE RISK

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

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

FOREIGN EXCHANGE RISK

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

As disclosed in the Company's announcement dated 24 June 2019, up to 24 June 2019, Shenzhen First Capital International Business Consulting Limited* (深圳首控國際商務諮詢有限公司), an indirect wholly-owned subsidiary of the Company, disposed an aggregate of 61,258,365 shares of Sichuan Xinjinlu Group Co., Ltd.* (四川新金路集團股份有限公司) (formerly known as Sichuan Jinlu Group Co., Ltd.* (四川金路集團股份有限公司)), a company listed on Shenzhen Stock Exchange (stock code: 000510), representing approximately 10.06% of its total number of issued shares as at 24 June 2019. The aggregate consideration is approximately RMB300.2 million. For further information, please refer to the Company's announcement dated 24 June 2019.

Disposals of Shares in Virscend Education Company Limited

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

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

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

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Wilson Sea

Dr. Wilson Sea ("**Dr. Sea**"), aged 56, was appointed as the Chairman and a non-executive Director on 27 April 2011 and was re-designated as the Chairman and an executive Director on 1 January 2015. He is responsible for the general strategic planning, business planning and co-ordination of the Group, as well as the supervision of the implementation and execution of the management's strategies. He is also a director of a number of subsidiaries of the Company.

From 1997 to 2004, Dr. Sea worked in Minsheng Securities Co., Ltd. as an assistant to president, president and chairman consecutively, responsible for the investment banking business, the business of research 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.* (豫北(新鄉)汽車動力轉向器有限公司) from 2007 to 2011.

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

Dr. Sea is the director and shareholder of Wealth Max, a substantial Shareholder. As at the Latest Practicable Date, Dr. Sea is deemed to be interested in 375,967,000 Shares, representing approximately 7.48% 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, a deputy chief executive officer of the Company.

Mr. Zhao Zhijun

Mr. Zhao Zhijun ("**Mr. Zhao**"), aged 45, was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011 and was re-designated as a Co-CEO and an executive Director on 26 July 2017. As a Co-CEO, Mr. Zhao is principally responsible for the management and development of the automotive parts business of the Group. He is also a director of a number of subsidiaries of the Company.

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

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

Dr. Zhu Huanqiang

Dr. Zhu Huanqiang ("**Dr. Zhu**"), aged 50, 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. As a Co-CEO, Dr. Zhu is principally responsible for the management and development of the education operation business and financial services business of the Group. He is also a director of a number of subsidiaries of the Company.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus

Mr. Chu Kin Wang, Peleus ("**Mr. Chu**"), aged 55, was appointed as an INED on 19 October 2011. Mr. Chu has over 30 years of experience in corporate finance, audit, accounting and taxation.

Mr. Chu was or has been an executive director, a non-executive director or a senior management of the following companies listed on the Main Board of the Stock Exchange: (a) Global Mastermind Capital Limited (formerly known as Apex 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 and executive director since March 2015; (c) Perfect Group International Holdings Limited (stock code: 3326): non-executive director from August 2015 to March 2017; and (d) Suncity Group Holdings Limited (formerly known as Hong Long Holdings Limited) (stock code: 1383): company secretary from February 2007 to September 2010.

Mr. Chu was or has also been an independent non-executive director of the following companies listed on the Main Board or the GEM of the Stock Exchange: (a) Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117): since April 2007; (b) Reliance Global Holdings Limited (formerly known as Sustainable Forest Holdings Limited) (stock code: 723): from January 2008 to August 2010; (c) Huayu Expressway Group Limited (stock code: 1823): since May 2009; (d) Flyke International Holdings Ltd. (stock code: 1998): since February 2010; (e) SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176): since March 2012; (f) Telecom Service One Holdings Limited (transferred listing from the GEM (stock code: 8145) to the Main Board (stock code: 3997) of the Stock Exchange): from April 2013 to December 2017; (g) Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057): since September 2015; (h) Mingfa Group (International) Company Limited (stock code: 846): since November 2016; and (i) PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (stock code: 372): from March 2017 to September 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 both the HKICPA and the Association of Chartered Certified Accountants. He is also an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Dr. Du Xiaotang

Dr. Du Xiaotang ("**Dr. Du**"), aged 46, was appointed as an INED on 19 July 2019. Dr. Du has over 16 years of experience in corporate finance, capital market, private equity investment, merger and acquisitions and legal compliance advisory to listed companies.

Dr. Du commenced his career in Henan University as a teacher from July 1996 to June 2002. Between June 2003 and July 2013, Dr. Du was an associate and a partner at Grandall Law Firm successively, a law firm in the PRC. Dr. Du is now acting as a department managing director of China Everbright Limited, a company listed on the Stock Exchange (stock code: 165). He is also currently (a) an executive director and the assistant chief executive officer of Kinergy Corporation Ltd., a company listed on the Stock Exchange (stock code: 3302); (b) an independent non-executive director of China Tianrui Group Cement Company Limited, a company listed on the Stock Exchange (stock code: 1252); and (c) an independent director of Sichuan Xinjinlu Group Co., Ltd.* (四川新金路集團股份有限公司) (formerly known as Sichuan Jinlu Group Co., Ltd.* (四川金路集團股份有限公司)), a company listed on SZSE (stock code: 000510).

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

Mr. Loo Cheng Guan

Mr. Loo Cheng Guan ("**Mr. Loo**"), aged 56, was appointed as an INED on 17 February 2020. Mr. Loo has approximately 30 years of experience in mergers and acquisitions, private equity and corporate finance.

Mr. Loo is the founder and managing director of Vermilion Gate Pte Limited, a private advisory firm focusing on mergers and acquisitions and portfolio development. Mr. Loo is currently a board member of three companies listed on SGX, namely (a) as an independent non-executive director of Datapulse Technology Holdings (stock code: BKW); (b) as an independent director of Valuetronics Holdings Limited (stock code: BN2); and (c) as the lead independent director of Mirach Energy Limited (stock code: AWO).

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

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

SENIOR MANAGEMENT

Mr. Hung Man Yuk, Dicson

Mr. Hung Man Yuk, Dicson ("**Mr. Hung**"), aged 44, has been the Company Secretary 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: (a) qualified accountant, chief financial officer and company secretary of Zhongtian International Limited (stock code: 2379) from May 2007 to December 2008; (b) company secretary of Come Sure Group (Holdings) Limited (stock code: 794) from July 2010 to January 2015; and (c) company secretary of China Tian Lun Gas Holdings Limited (stock code: 1600) from October 2017 to July 2019.

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

Dr. Wang Hui

Dr. Wang Hui ("**Dr. Wang**"), aged 41, was appointed as the chief financial officer of the Company on 31 December 2015. He is also a director of a number of subsidiaries of the Company. Dr. Wang is the brother-in-law of Dr. Sea.

Dr. Wang 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-practising member of China Association of Certified Public Accountants.

Mr. He Yaobin

Mr. He Yaobin ("**Mr. He**"), aged 39, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Mr. He is in charge of several financial services business units of the Group. He is also a director of a number of subsidiaries of the Company. Mr. He is a nephew of Dr. Sea.

Mr. He has many years of experience in venture capital and business management. He served as a vice president and a director of companies engaged in venture capital and fund management. He is familiar with the financial systems, financing platforms, and capital market operations in both China and overseas. He participated in several merger and acquisition projects, investment analyses and decision-making in domestic and overseas.

Ms. Sun Bo

Ms. Sun Bo ("**Ms. Sun**"), aged 45, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Ms. Sun is responsible for post-investment management, operation and enhancement in several educational projects of the Group. She is also a director of a number of subsidiaries of the Company.

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

Ms. Li Minwen

Ms. Li Minwen ("**Ms. Li**"), aged 51, was appointed as the chief operating officer of the Company on 4 November 2016 and was re-designated as a deputy chief executive officer of the Company on 15 February 2019. Ms. Li is responsible for several financial service business units of the Group. She is also a director of a number of subsidiaries of the Company.

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 Beijing branch of the securities brokerage business department of China Merchants Securities Co., Ltd. From February 2013 to November 2016, she served as an executive director and head of channel management department of China Merchants Securities (HK) Co., Ltd.

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

Mr. Zong Bin

Mr. Zong Bin ("**Mr. Zong**"), aged 43, was appointed as a deputy chief executive officer of the Company on 25 April 2017. Mr. Zong is responsible for several financial services business units of the Group as well as the investment, operation and management of certain projects. He is also a director of a number of subsidiaries of the Company.

Mr. Zong has substantial experience in education investment, financial investment and provision of immigration financial services. He has been the chief executive officer of First Capital International Holdings Limited since April 2015 and the chairman of FC Fund since October 2017.

Mr. Zong obtained a master's degree in arts with a major in marketing practice from University of Bradford in 2006 and a degree of master of business administration (executive) at City University of Hong Kong in 2018.

Directors' Report

Directors' Report

The Board hereby presents this annual report together with the audited consolidated financial statements of the Group for the 2019 Financial Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Before 2014, the Group mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in the financial services business, which provides services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing, and migration finance. Since 2016, the Group has continued to diversify its business, with the mission of "Finance Empowers Education, Education Lights Up Future" and to establish a trinitarians interactive business mode, which capitalises on educational investment and operations as bases and educational management service and educational financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education". 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 2019 are set out in the Notes 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 2019 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.

DIVIDEND POLICY

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

The Board has the discretion to declare and distribute dividends to the Shareholders, pursuant to the Articles of Association and all applicable laws and regulations.

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

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

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the 2019 Financial Year (2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2019 Financial Year, sales to the Group's five largest customers accounted for approximately 37.5% of the total revenue of the Group (2018: approximately 44.0%), of which sales to the largest customer accounted for approximately 13.3% (2018: approximately 15.4%).

For the 2019 Financial Year, purchases from the Group's five largest suppliers accounted for approximately 28.1% of the total purchases of the Group (2018: approximately 35.9%), of which purchases from the largest supplier accounted for approximately 6.2% (2018: approximately 8.3%).

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 2019, the Group had property, plant and equipment at carrying value of approximately RMB1,001.8 million (31 December 2018: approximately RMB925.9 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

BORROWINGS

As at 31 December 2019, the Group's total borrowing amounted to approximately RMB1,809.8 million (31 December 2018: approximately RMB3,051.4 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

CAPITALIZED INTERESTS

For the 2019 Financial Year, the Group did not capitalize any interest expenses related to properties under construction development (2018: Nil).

DONATIONS

For the 2019 Financial Year, the Group made charitable and other donations totaling RMB142,000 (2018: RMB330,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2019 Financial Year are set out in the Notes to the Consolidated Financial Statements of this annual report.

EQUITY LINKED AGREEMENTS

Details of the convertible bonds of the Company for the 2019 Financial Year are set out in the Notes to the Consolidated Financial Statements of this annual report.

RESERVES

Details of the movements in the reserves of the Group for the 2019 Financial Year are set out in the Consolidated Statement of Changes in Equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company amounted to approximately RMB(173.9) million (31 December 2018: approximately RMB3,466.7 million), comprising the share premium and the retained earnings (accumulated losses) of the Company.

Under the Companies Law 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 2019 Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

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

SHARE 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. The remaining available period of the Share Option Scheme is approximately two years as at 31 December 2019.

A. Summary of the Share Option Scheme

1. Purpose

The purpose of the Share Option Scheme is to recognise or 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 abovementioned 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 of the Company was 160,000,000 Shares (having enlarged by five times due to the Share Subdivision), representing 10% of the total number of Shares in issue as at the Listing Date.

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 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 if such 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 determined by the Board and notified to the Eligible Participant which shall not be less than the highest of the following three criterias:

(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**

   Either the Company may by proposing 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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the 2019 Financial Year and up to the date of this annual report, the Company had maintained sufficient public float that the percentage of the Shares which are in the hands of the public exceeds 25% of the total number of Shares in issue as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

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

DIRECTORS

The Directors for the 2019 Financial Year and up to the date of this annual report were:

Executive Directors

Dr. Wilson SEA *(Chairman)*
Mr. TANG Mingyang *(until 29 March 2019)*
Mr. ZHAO Zhijun *(Co-CEO)*
Ms. LI Dan *(until 19 July 2019)*
Dr. ZHU Huanqiang *(Co-CEO)*

Non-Executive Director

Mr. LI Hua *(until 12 December 2019)*

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus
Dr. LI Zhiqiang *(until 19 July 2019)*
Dr. DU Xiaotang *(since 19 July 2019)*
Mr. WANG Song *(until 17 February 2020)*
Mr. LOO Cheng Guan *(since 17 February 2020)*

CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION

As disclosed in the Company's announcement dated 29 March 2019, Mr. Tang Mingyang has resigned as an executive Director and a member of the Strategy Committee, with effect from 29 March 2019.

Since Mr. Wang Song, an INED, was appointed by the Board, he retired and offered himself for re-election at the AGM held on 5 June 2019 according to Article 83(3) of the Articles of Association.

In accordance with Article 84(1) of the Articles of Association, three executive Directors, Dr. Wilson Sea, Mr. Zhao Zhijun, and Dr. Zhu Huanqiang, retired and offered themselves for re-election at the AGM held on 5 June 2019.

As disclosed in the Company's announcement dated 19 July 2019, (i) the office of Dr. Li Zhiqiang as an INED has been vacated on 19 July 2019 and he ceased to be a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee; (ii) Dr. Du Xiaotang has been appointed as an INED and a member of the Audit Committee and the Remuneration Committee; and (iii) Ms. Li Dan has resigned as an executive Director and a member of the Remuneration Committee and the Nomination Committee, all with effect from 19 July 2019.

As disclosed in the Company's announcement dated 12 December 2019, Mr. Li Hua has resigned as a non-executive Director and a member of the Audit Committee and the Risk Management Committee, with effect from 12 December 2019.

As disclosed in the Company's announcement dated 17 February 2020, (i) Mr. Wang Song has resigned as an INED, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Strategy Committee; (ii) Dr. Du Xiaotang has been appointed as the chairman of the Remuneration Committee; and (iii) Mr. Loo Cheng Guan has been appointed as an INED, a member of the Audit Committee, the Nomination Committee and the Strategy Committee, all with effect from 17 February 2020.

For the 2019 Financial Year and up to the date of this annual report, save as the aforementioned, there had been no other changes regarding the Directors and their information which are required to be disclosed under the Listing Rules.

RE-ELECTION OF DIRECTORS

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. Du Xiaotang was appointed by the Board as an INED on 19 July 2019, with immediate effect. Mr. Loo Cheng Guan was appointed by the Board as an INED on 17 February 2020, with immediate effect. As such, Dr. Du Xiaotang and Mr. Loo Cheng Guan will hold office until the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

According to Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. According to Article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. As such, Dr. Zhu Huanqiang and Mr. Chu Kin Wang, Peleus will retire and, being eligible, offer themselves for re-election.

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 Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Wang Song an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Wang Song to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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

Name	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Wilson Sea	Interest of controlled corporation	391,767,000	7.79%

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

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept 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 2019 Financial Year, none of the Directors or the chief executives of the Company (including their respective spouse and/or children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, warrants or debentures (if applicable) of the Company or any of its associated corporations.

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

As at 31 December 2019, the following persons (other than the Directors or the chief executives of the Company whose interests are disclosed above) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in Shares

Name	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Wealth Max[1]	Beneficial owner	391,767,000[3]	7.79%
Wang Lily[2]	Interest of spouse	391,767,000[3]	7.79%
Chuang Yue[4]	Beneficial owner	758,084,000[5]	15.08%
Shenmane.D Co., Limited[4]	Interest of controlled corporation	758,084,000[5]	15.08%
Golden Cloud Co., Limited[4]	Interest of controlled corporation	758,084,000[5]	15.08%
Tang Mingyang[4]	Interest of controlled corporation	758,084,000[5]	15.08%
Champion Sense Global Limited[6]	Person having a security interest in shares	666,700,000[7]	13.26%
	Beneficial owner	244,648,318[7]	4.87%
Huarong Huaqiao Asset Management Co., Ltd.*[6]	Interest of controlled corporation	911,348,318[7]	18.13%
China Huarong Asset Management Co., Ltd.[6]	Interest of controlled corporation	911,348,318[7]	18.13%
Zhongyuan Bank Co., Ltd.[8]	Person having a security interest in shares	259,248,000	5.16%

Notes:

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

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

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

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

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

6. 666,700,000 Shares held by Chuang Yue have been charged in favour of Champion Sense Global Limited. Upon full exercise of conversion rights of the convertible bonds issued by the Company, 244,648,318 Shares will be issued to Champion Sense Global Limited.

   Champion Sense Global Limited is indirectly owned as to 100% by Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司) ("**Huarong Huaqiao**"), which is in turn indirectly owned as to 51% by China Huarong Asset Management Co., Ltd. Thus, Huarong Huaqiao and China Huarong Asset Management Co., Ltd. are deemed to be interested in all the interest held by Champion Sense Global Limited under the SFO.

7. The interests of Champion Sense Global Limited, Huarong Huaqiao and China Huarong Asset Management Co., Ltd. related to the same parcel of Shares.

8. 167,864,000 Shares held by Wealth Max and 91,384,000 Shares held by Chuang Yue (being an aggregate of 259,248,000 Shares) have been charged in favour of Zhongyuan Bank Co., Ltd.

Save as disclosed above, as at 31 December 2019, no other person had any 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the 2019 Financial Year, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly.

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 for the 2019 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

For the 2019 Financial Year, the Group had no connected transaction and continuing connected transaction which were not exempted under Chapter 14A of the Listing Rules.

The related party transactions set out in the Notes 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 HKICPA.

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

DIRECTORS' SERVICE CONTRACTS

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

Each of the 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 2019 Financial Year is set out in the Notes to the Consolidated Financial Statements of this annual report.

REMUNERATION POLICY

As at 31 December 2019, the Group had 3,896 employees (31 December 2018: 4,114 employees). For the 2019 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB432.1 million (2018: approximately RMB396.8 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to its employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

Pursuant to the Corporate Governance Code provision B.1.5, for the 2019 Financial Year, the remuneration of the members of the senior management of the Company, including the executive Directors, by remuneration band is set out below:

Remuneration band (RMB'000)	Number of individuals
0 to 500	1
501 to 1,000	3
1,001 to 1,500	2
1,501 to 2,000	2
2,001 to 2,500	1
2,501 to 3,000	1
3,001 to 3,500	0
3,501 to 4,000	1
4,001 to 4,500	1

RETIREMENT SCHEME

The Group operates a mandatory provident fund scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. In accordance with the MPF Scheme, each of the employers and employees is required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

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

For the 2019 Financial Year, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB51.1 million (2018: approximately RMB38.9 million). Details of the Group's retirement scheme are set out in the Notes to the Consolidated Financial Statements of this annual report.

MANAGEMENT CONTRACTS

Other than employment contract with employees of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed with any individual, company or body corporate for the 2019 Financial Year by the Group.

CONTRACTUAL ARRANGEMENTS

A. 51% interest of Yinghua School

Information about the operating subsidiaries

Yinghua School is a boarding school providing high-end K-12 education, comprising primary school, middle school and high school, in the PRC. The interest in Yinghua School is held by Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) ("**Jinan Baofei**"). The registered shareholders of Jinan Baofei are First Capital Education Management (Shenzhen) Company Limited* (首控教育管理(深圳)有限公司) ("**FC Education**"), Shanghai Jiuyue Information Techonlogy Company Limited* (上海久越信息技術股份有限公司) and Guangzhou Baqiersan Innovation Technology Company Limtied* (廣州八七二三創新科技有限公司), which held 51%, 25.5% and 23.5% equity interest in Jinan Baofei, respectively.

For the 2019 Financial Year, the revenue of Yinghua School amounted to approximately RMB83.5 million (2018: approximately RMB71.2 million). As at 31 December 2019, the total assets of Yinghua School amounted to approximately RMB241.3 million (31 December 2018: approximately RMB222.2 million).

Reasons for the contractual arrangements

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

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

Contractual arrangements in place

The contractual arrangements that were in place as at 31 December 2019 are as follows:

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

(b) the shareholders' entrustment letters and authorization letters entered into among Jinan WOFE, Jinan Baofei and the registered shareholders of Jinan Baofei, pursuant to which the registered shareholders of Jinan Baofei shall irrevocably authorize Jinan WOFE to act on their behalf in all matters in relation to their respective equity interests in Jinan Baofei, 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 and the registered shareholders of Jinan Baofei, pursuant to which the registered shareholders of Jinan Baofei shall grant 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 2019 Financial Year, there was no material change in the contractual arrangements and none of the structured contracts has been unwound as none of the restrictions that led to the adoption of structured contracts under the contractual arrangements has been removed.

The Company has been advised by its PRC legal advisor that the contractual arrangements did not violate relevant PRC laws and regulations.

B. 53.3% interest of Xishan Schools

Information about the operating subsidiaries

Xishan Schools include four schools (i.e., Fuqing Xishan, Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan and Xishan Education Group* (西山教育集團)) 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 FC Eduction, Mr. Zhang Wenbin and Mr. Lin Bingguo, which held 53.3%, 23.35% and 23.35% equity interest in Xishan Eduction, respectively.

For the 2019 Financial Year, the revenue of Xishan Schools amounted to approximately RMB251.9 million (2018: approximately RMB179.6 million). As at 31 December 2019, the total assets of Xishan Schools amounted to approximately RMB742.6 million (31 December 2018: approximately RMB778.7 million).

Pursuant to the investment agreement, the vendors warrant that the adjusted consolidated EBITDA of Xishan Schools prepared in accordance with Hong Kong Financial Reporting Standards for each of the three financial years ended 31 December 2017, 2018 and 2019 shall not be less than RMB50.0 million, RMB65.0 million and RMB85.0 million, respectively ("**Performance Targets**"). Should the proportion of the deficit of the actual adjusted consolidated EBITDA to the Performance Targets for any year from 2017 to 2019 is greater than 7%, the Group shall be entitled to demand a compensation by the vendors.

As disclosed in the company's announcement dated 30 April 2019, the Performance Targets for each of the financial year ended 31 December 2017 and 2018 were achieved. Having considered the long-term development of Xishan Schools and the influence of the Group on the overall management of Xishan Schools, with unanimous consents of the parties to the investment agreement, the vendors cease to guarantee the Performance Targets for the 2019 Financial Year.

Reasons for the contractual arrangements

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

In light of the aforementioned foreign investment restrictions in the primary and middle schools and pre-school and high school education business in the PRC, the Group entered into contractual arrangements with Fuzhou Quanyue Education Consulting Company Limited* (福州全悦教育諮詢有限公司) ("**Fuzhou WOFE**"), Xishan Education, the registered shareholders of Xishan Education, Fujian Company, Jiangxi Company and Xishan Schools. Through such contractual arrangements, the Group exercises control over Xishan Schools and their financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the abovementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Xishan Schools and to engage in the business, the Group will exercise the options under the exclusive option 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 2019 are as follows:

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

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

(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 Fuzhou WOFE irrevocable options 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 to Fuzhou WOFE as security for its performance and/or that of Fujian Company and Jiangxi Company under the exclusive option agreements and such other agreements as concluded to supplement the abovementioned agreements.

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

(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 Fuzhou WOFE irrevocable options to acquire all or part of its respective equity interests in Fujian Company and Jiangxi Company.

(g) the exclusive service 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 2019 Financial Year, there were no material change in the contractual arrangements and none of the structured contracts has been unwound as none of the restrictions that led to the adoption of structured contracts under the contractual arrangements has been removed.

The Company has been advised by its PRC legal advisor that the contractual arrangements did not violate relevant PRC laws and regulations.

C. Risks relating to the contractual arrangements

The Group considers that the following risks are associated with the contractual arrangements entered into by the Group in respect of the interests of Yinghua School and Xishan Schools:

– there is no assurance that the structured 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 structured 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;

– structured 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 structured 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.

For the 2019 Financial Year, the revenues of Yinghua School and Xishan Schools accounted for an aggregate of approximately 23.4% of the Group's overall revenue. In August 2018, the Ministry of Justice of the PRC issued "The Implementing Regulations of the Private Education Promotion Law of the People's Republic of China (Revised Draft) (Draft for Review)" (the "**Draft for Review**") for consultation. The Draft for Review caused uncertainties to the non-profit schools controlled by the contractual arrangements adopted by the Group. As of the date of this annual report, the Draft for Review has not been considered and approved nor officially promulgated. The Group will closely monitor the development and adopt measures for compliance in due course.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation. A separate environment, social and governance report is to be published on the websites of the Stock Exchange and the Company in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the 2019 Financial Year, the Group's operations are mainly carried out by the subsidiaries of the Company in the PRC and Hong Kong. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT LEGAL PROCEEDINGS

For the 2019 Financial Year, the Group did not involve in any significant legal proceedings or arbitration. Save as disclosed below, to the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

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

AUDITOR

Deloitte Touche Tohmatsu has audited the consolidated financial statements of the Group for the 2019 Financial Year and issued an opinion with a material uncertainty related to going concern. A resolution to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company will be proposed for approval by the Shareholders at the forthcoming AGM.

The Directors have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) On 5 February 2020, the Group entered into an agreement with an independent third party to dispose of the entire interest in an investment measured at FVTPL at a consideration of approximately US$18.3 million (equivalent to approximately RMB129.7 million). The full amount of consideration (net of transaction costs and related tax expenses) has been received as of the date of this annual report.

(ii) The Group is discussing with the counterparty to restructure the existing convertible bonds through provision of additional collaterals and guarantees to the bondholder, and partial repayment of principal amount by instalments within the twelve months from the year end. Therefore, the Directors do not expect to receive any request from the counterparty for demand for immediate repayment for the entire convertible bonds. Up to the date of this annual report, the Group has received an offer letter from the counterparty and the Group is in the process of finalising the terms with the bondholder.

(iii) The Group is actively identifying alternative sources of funding, including financial support from Dr. Wilson Sea, the Chairman for RMB100 million.

The Directors consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. However, should the above refinancing measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs (namely Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan). The Audit Committee has reviewed the audited consolidated financial statements of the Group for the 2019 Financial Year.

The Audit Committee has discussed with the Company's auditor and the management on material uncertainty related to going concern, reviewed and agreed with the position of management of the Company on significant judgments, and recognised the actions taken by the Directors for addressing the material uncertainty related to going concern. The Audit Committee will closely monitor the development of such issues and perform its duties.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Tuesday, 16 June 2020. 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, 11 June 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020, for registration.

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

The annual report of the Company for the 2019 Financial Year, in both English and Chinese versions, will be despatched to the Shareholders according to their choice of means of receipt and language of Corporate Communications, and will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk in due course.

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

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

SUBSEQUENT EVENTS

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

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

APPRECIATION

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

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

Hong Kong
29 April 2020

Corporate Governance Report

Corporate Governance Report

The Board is committed to promote 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 2019 Financial Year and up to the date of this annual report, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules so as to enhance the corporate governance standard of the Company.

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 2019 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 2019 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 of the Company.

Board of Directors

The Board currently comprises of executive Directors and INEDs. As at the date of this annual report, the composition of the Board and Board committees are 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. ZHAO Zhijun *(Co-CEO)*		M		M	
Dr. ZHU Huanqiang *(Co-CEO)*				M	M
Independent Non-Executive Directors					
Mr. CHU Kin Wang, Peleus	C	M	M		M
Dr. DU Xiaotang	M	C			
Mr. LOO Cheng Guan	M		M	M	

Notes:

C – Chairman M – Member

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

The 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, in order to ensure that the interests of all Shareholders are taken into account. One of the INEDs, Mr. Chu Kin Wang, Peleus, has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

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

The Company provides briefings and other trainings to develop and refresh the Directors' knowledge and skills. The Company together with its legal counsel, continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure that they are aware of their responsibilities under the applicable laws and regulation, and enhance their awareness of good corporate governance practices.

For the 2019 Financial Year, the Company provided training material to the Directors covering various topics relating to as Listing Rules and the SFO. All the Directors (being Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang, Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Wang Song) received directors' training (part of the trainings are provided by the Company's Hong Kong legal advisor). Mr. Tang Mingyang, Ms. Li Dan, Mr. Li Hua and Dr. Li Zhiqiang also received the training during the period acting as a Director.

For the 2019 Financial Year, the Board also (i) developed and reviewed the Company's policies and practices on corporate governance; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developed, reviewed and monitored the code of conduct applicable to the Directors and employees; and (v) reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

Board Meetings

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

Notices of regular Board meetings will be served to all the Directors at least 14 days before the meeting. For all other Board meetings, reasonable notice period will be given. Notices and agendas of the Board meetings are prepared by the Company Secretary and/or the senior management of the Company as delegated by the Chairman. All the Directors are given the opportunity to submit any matters which they believe to be appropriate in the agenda of the Board meetings.

Agenda and relevant documents of the Board meetings with adequate background information and supporting analysis are made available to the Directors at least three days before the intended date of the Board meeting. All the Directors are given separate and independent access to the Company Secretary and/or the senior management of the Company for further information and enquiries. The Company Secretary and/or the senior management of the Company will provide the Board and Board committees with advice on corporate governance, statutory compliance and financial matters.

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

Directors have access to the advice and services of the Company Secretary and/or relevant 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/Board committee meetings are kept by the Company Secretary, which are open for inspection by any of 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 officers of the Company in execution and discharge of their duties or in relation thereto.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Strategy Committee, the Risk Management Committee, the Chairman and INEDs meeting and the general meetings for the 2019 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**	**Chairman and INEDs meeting**	**General meeting**
Executive Directors								
Dr. Wilson SEA *(Chairman)*	4/5	N/A	N/A	2/3	1/1	1/1	1/1	0/1
Mr. TANG Mingyang *(until 29 March 2019)*	0/1	N/A	N/A	N/A	0/1	N/A	N/A	0/0
Mr. ZHAO Zhijun *(Co-CEO)*	3/5	N/A	1/2	N/A	0/1	N/A	N/A	1/1
Ms. LI Dan *(until 19 July 2019)*	0/3	N/A	0/2	0/3	N/A	N/A	N/A	0/1
Dr. ZHU Huanqiang *(Co-CEO)*	5/5	N/A	N/A	N/A	1/1	1/1	N/A	1/1
Non-Executive Director								
Mr. LI Hua *(until 12 December 2019)*	4/5	1/3	N/A	N/A	N/A	1/1	N/A	0/1
Independent Non-Executive Directors								
Mr. CHU Kin Wang, Peleus	5/5	3/3	2/2	3/3	N/A	1/1	1/1	1/1
Dr. LI Zhiqiang *(until 19 July 2019)*	0/3	0/1	0/2	0/3	0/1	N/A	0/0	0/1
Mr. WANG Song	5/5	3/3	2/2	3/3	1/1	N/A	1/1	1/1
Dr. DU Xiaotang *(since 19 July 2019)*	2/2	2/2	0/0	N/A	N/A	N/A	1/1	0/0

BOARD COMMITTEES

The Board has established five Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Strategy Committee and the Risk Management Committee, to assist the Board for overseeing particular aspects of the Group's affairs. The Board is responsible for determining the policy for the corporate governance of the Company and the terms of reference/duties of the Board/Board committees. The terms of reference setting out the principles, procedures and arrangements of the Audit Committee, the 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 on 19 October 2011, with written terms of reference in compliance with the requirements of the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the members of the Audit Committee are Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan, 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 and internal control systems.

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

For the 2019 Financial Year, three meetings of the Audit Committee were held. The Audit Committee has, amongst others, reviewed the interim results and annual results of the Group and the internal control matters of the Group. 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 auditor. The Audit Committee has recommended to the Board on the re-appointment of Deloitte Touche Tohmatsu as the Company's auditor for the coming year and the related resolution shall be put forth at the forthcoming AGM.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the 2019 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group.

For the 2019 Financial Year, the auditor of the Company, Deloitte Touche Tohmatsu, provided interim review services, annual audit services and other non-audit services. The total fees paid/payable in respect of the services by the Group are amounted to approximately RMB4,779,000 (audit fee approximately RMB3,082,000 included). The Audit Committee considers that the provision of non-audit services by Deloitte Touche Tohmatsu does not impair their judgement and independence for the audit acting in the capacity as the auditor of the Company.

Nomination Committee

The Company has established the Nomination Committee pursuant to Rules A.5.1 and A.5.2 of Appendix 14 to the Listing Rules on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the members of the Nomination Committee are Dr. Wilson Sea, Mr. Chu Kin Wang, Peleus and Mr. Loo Cheng Guan, 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.

The Nomination Committee holds a meeting at least once a year.

For the 2019 Financial Year, three meetings of the Nomination Committee were held. The Nomination Committee has, among others, reviewed the selection procedures for candidates for directorship after considering different criteria including appropriate professional knowledge and industry experience. The Nomination Committee also assessed the independence of Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Wang Song, reviewed the size, structure and composition of the Board and recommended to the Board the Directors who will retire and, being eligible, offer themselves for re-election at the AGM and the candidates suitably qualified to become members of the Board.

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

Remuneration Committee

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

The Remuneration Committee is responsible for the determination, within agreed terms of reference, of specific remuneration packages for executive Directors and the senior management of the Company, 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.

The Remuneration Committee holds a meeting at least once a year.

For the 2019 Financial Year, two meetings of the Remuneration Committee were held. The Remuneration Committee reviewed the structure of remuneration for executive Directors and the senior management of the Company and assessed their performance. The Directors' remuneration 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. Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

Strategy Committee

The Company established the Strategy Committee on 28 March 2013 with an aim to adapt the needs of the strategic development of the Group, enhance the core competitiveness, ensure the development plans, improve the investment decision form, strengthen the scientific decision-making, uplift the efficiency and quality of investment decisions, and optimize the governance structure. As at the date of this annual report, the members of the Strategy Committee are Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang and Mr. Loo Cheng Guan, Dr. Wilson Sea is the chairman of the Strategy Committee.

The Strategy Committee holds a meeting at least once a year.

For the 2019 Financial Year, one meeting of the Strategy Committee was held. The Strategy Committee reviewed the overall strategy and development plan of the Group.

Risk Management Committee

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

The Risk Management Committee holds a meeting at least once a year.

For the 2019 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 Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is authorized under the Articles of Association to appoint any person as a Director to fill a casual vacancy or as an addition to the existing 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 contract shall renew after expiry and continue thereafter until terminated by either party giving to the other not less than three months' prior notice in writing. Each of the INEDs was appointed for an initial term of three years and each letter of appointment shall renew after expiry and continue thereafter until terminated by either party giving to the other not less than three months' prior notice in writing. 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 each AGM, one-third of the Directors for the time being, 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.

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 having appropriate professional qualifications or accounting or related financial management expertise throughout the 2019 Financial Year.

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

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 Group. Every Director is required to devote sufficient time and involvement in the affairs of the Board and the material matters of the Group and to serve the Board with such degree of care and due diligence given his own expertise, qualification and professionalism.

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the 2019 Financial Year.

The Company has also adopted the Model Code as the code of conduct for securities transactions by relevant employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries or the holding companies who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities. Having made specific enquiries to the relevant employees, they have confirmed their full compliance with the required standards set out in the Model Code for the 2019 Financial Year.

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

To ensure a balance of power and authority, the roles of the Chairman and the Co-CEO are segregated and not exercised by the same individual. The Board is leaded 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 respectively responsible for the development, operations and management of different business segments of the Group. In particular, Mr. Zhao Zhijun focuses on developing and managing the automotive parts business of the Group while Dr. Zhu Huanqiang focuses on developing and managing the education operation business and financial services business of the Group.

With the support of the Company Secretary and the senior management of the Company, 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 and reliable information in a timely manner.

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 he has taken not less than 15 hours of relevant professional training for the 2019 Financial Year.

MANAGEMENT FUNCTION

The Articles of Association set out matters which are specifically reserved to the Board for its decision. In principal, the executive Directors constantly meet and participate in management of the Company 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 of the Company carries out the directions and strategies set by the Board correctly and appropriately.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the Group's financial statements for the 2019 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 Group's assets. The Board 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 Board will review the risk management and internal control systems at least once a year.

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

The Group has established a risk management framework, which consists of the Board, the Audit Committee, the Risk Management Committee and the senior management of the Company. The Board 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 effectively identifying, evaluating and managing significant risks. The senior management of the Company at least once a year identifies risks that would adversely affect the achievement of the Group's business objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans are established and risk responsible persons are appointed for those significant risks.

For the 2019 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, the Audit Committee and the Risk Management Committee to monitor the Group's risk management and internal control systems continuously, identify the deficiencies in the design and implementation of internal controls and propose recommendations for improvement. Significant internal control deficiencies will be reported to the Audit Committee and the Board on a timely basis to ensure that prompt remediation actions are taken.

For the 2019 Financial Year, the Board has, through the Audit Committee and Risk Management Committee, performed annual review on the effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls, including but not limited to the changes of the nature and seriousness of significant risk, the Group's ability to cope with its business transformation and changing external environment, the scope and quality of review by the Company's management on risk management and internal control systems, the extent and frequency of communication with the Board in relation to results of controls, significant failures or weaknesses identified and their implication, and status of compliance with the Listing Rules of the Group. When the Board performed annual review, it also ensured that the resources, qualifications and experiences of staff, and training programmes and budgets received by staff of the Company's accounting, internal auditing and financial reporting function are enough. The Board considers the Group's existing 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 the information to the public as soon as reasonably practicable after any inside information has come to its knowledge unless the information falls within any of the "Safe Harbours" as provided in the SFO. Before the information is fully disclosed to the public, the 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 manner, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

Procedures for convening EGMs and putting forward proposals at general meetings

Pursuant to Article 58 of the Articles of Association, 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 Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, 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 protect the interests of the Shareholders. As a channel to further promote effective communication, the Company has established a website at www.cfcg.com.hk, allowing the Shareholders to access updates on the Company's particulars where the Company's announcements, 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 of Shareholders are explained at the beginning of the general meeting by the chairman of the meeting. In order to comply with the Listing Rules, all 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 the Articles of Association for the 2019 Financial Year.

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 100 to 263, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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**"), 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of RMB2,257,200,000 for the year ended 31 December 2019 and, the Group's current liabilities exceeded its current assets by approximately RMB717,633,000 as at 31 December 2019. In order to improve the liquidity and financial position of the Group, the directors of the Company (i) are negotiating with the counterparty to restructure the existing convertible bonds; and (ii) are actively identifying alternative sources of funding. However, the ultimate success of the restructure of the existing convertible bonds or the likelihood of raising any new funds could not be determined as of the date of approval of these consolidated financial statements. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill and intangible assets with indefinite useful lives	
We identified the impairment assessment of goodwill and intangible assets with indefinite useful lives arising from business combination as a key audit matter due to subjective valuation parameters used and judgement exercised by the Group for the impairment assessment. At 31 December 2019, the goodwill and intangible assets with indefinite useful lives arising from business acquisition amounted to RMB323,571,000 and RMB138,344,000, respectively, as disclosed in Notes 25 and 23 to the consolidated financial statements, respectively.	Our procedures in relation to the impairment assessment of the goodwill and intangible assets with indefinite useful lives included: • Evaluating the Group management's valuation assessment and the external valuation reports prepared by an independent qualified valuer ("**Valuer**") and on which the management's assessment of the impairment assessment of the goodwill and intangible assets was based; • Understanding the Group's impairment assessment process, including the valuation model adopted, CGUs allocation and assumptions used and the involvement of the Valuer; • Evaluating the Valuer's competence, capabilities and objectivity;

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Impairment assessment on goodwill and intangible assets with indefinite useful lives *(Continued)*	
The management conducted the impairment assessment of the goodwill and intangible assets with indefinite useful lives based on estimating the recoverable amount, i.e. value in use or fair value less costs of disposal, of the respective cash-generating unit ("**CGU**"). For a CGU using value in use to determine the recoverable amount, it requires the Group to estimate the future cash flows expected to arise from each CGU and a suitable discount rate and long-term growth rate. For a CGU using fair value less costs of disposal to determine the recoverable amount, the Group determines the fair value by reference to either recent transaction price or a value derived from valuation model i.e. guideline companies method. As disclosed in Note 26, impairment losses of RMB245,449,000 and RMB22,958,000 were recognised on goodwill and intangible assets with indefinite useful lives, respectively, during the year ended 31 December 2019.	• Evaluating the appropriateness of the valuation model used to determine the recoverable amounts of the CGU; • Assessing the reasonableness of the budgeted cash flow forecasts prepared by the management of the Group, including evaluating key assumptions applied in value in use approach, such as expected cash flow streams, discount rate and long-term growth rate underlying in the cash flow forecast of respective CGUs and conducting retrospective review by comparing them to the historical results and relevant industry forecasts; • Evaluating reasonableness of market parameters and valuation assumptions applied in the valuation for deriving the fair value less costs of disposal by either comparing to relevant market transaction price or assessing the major inputs including last-twelve-month enterprise value to revenue, and enterprise value to net asset value underlying the guideline companies method and comparing with industry norms; • Checking the mathematical accuracy of the valuation calculations; • Involving internal specialist in assessing the key assumptions to the extent necessary; and • Performing sensitivity analysis when deemed necessary.

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Impairment of loan and interest receivables	
We identified the impairment of loan and interest receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of subjective judgement and management estimates in evaluating the expected credit loss ("**ECL**") of loan and interest receivables at the end of the reporting period. As at 31 December 2019, the Group's loan and interest receivables amounted to RMB95,055,000 as disclosed in Note 32 to the consolidated financial statements. The Group recognises lifetime ECL for loan and interest receivables. The ECL assessment is based on the internal credit rating, by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The ECL assessment involves high degree of uncertainties. Management's disclosures with regard to the estimation are set out in Note 5 to the consolidated financial statements.	Our procedures in relation to the impairment of loan and interest receivables including: • Understanding the basis of estimation of allowance for loan and interest receivables and key controls on how the management assess the ECL for these receivables; • Assessing the reasonableness of the management's estimate of the ECL based on historical credit loss records, forward-looking information including general economic conditions of the industry in which the borrower operates that have been taken into consideration by the management; • Performing retrospective review of the management's estimation by comparing the estimates provided in prior year to actual credit losses incurred in current year.

Key audit matter *(Continued)*	**How our audit addressed the key audit matter** *(Continued)*
Recoverability of trade receivables	
We identified recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of subjective judgement and management estimates in evaluating the ECL of trade receivables at the end of the reporting period. As at 31 December 2019, the Group's trade receivables amounted to RMB385,319,000 as disclosed in Note 29 to the consolidated financial statements. As disclosed in Note 5c to the consolidated financial statements, the Group recognises lifetime ECL for trade receivables using individual assessment, based on the internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The assessment of ECL involves a high degree of judgement and management estimates. As disclosed in Note 52c to the consolidated financial statements, a net impairment of RMB32,520,000 was recognised for trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2019 was amounted to RMB50,054,000.	Our procedures in relation to the recoverability of trade receivables including: • Discussing with the management and understanding the management's basis of estimation of ECL of trade receivables; • Understanding of the internal controls of the Group designed and implemented for the regular assessment of ECL of trade receivables; • Assessing the reasonableness of the management's estimate of the ECL rates based on the internal credit rating, historical credit loss experience, forward-looking information including general economic conditions of the industry in which the borrower operates that have been taken into consideration by the management; • Performing retrospective review of the management's estimation by comparing the estimates provided in prior year to actual credit losses incurred in current year.

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 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 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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
29 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations			
Revenue, comprising	6	**1,436,037**	1,810,797
– Sales of goods		**917,806**	1,353,866
– Provision of services		**484,433**	375,847
– Interest income		**33,798**	81,084
Cost of sales/services		**(1,075,822)**	(1,305,351)
Gross profit		**360,215**	505,446
Other income and expenses	8	**99,412**	93,718
Other gains and losses	9	**14,525**	(92,962)
Expected credit losses, net of reversal	10	**(196,937)**	(61,303)
Impairment losses on goodwill, tangible and intangible assets	26	**(271,395)**	–
Fair value changes of financial assets measured at fair value through profit or loss ("**FVTPL**")	11	**(976,796)**	(906,072)
Fair value changes of contingent consideration payables	43	**(98,188)**	(251)
Fair value changes of embedded derivative components of convertible bonds	38	**13,373**	(5,865)
Selling and distribution expenses		**(125,759)**	(108,856)
Research and development expenditure		**(51,327)**	(48,935)
Administrative expenses		**(343,317)**	(383,004)
Finance costs	12	**(285,991)**	(244,416)
Share of results of associates	21	**1,231**	222
Share of results of joint ventures	22	**(397,737)**	(92,405)
Loss before tax	13	**(2,258,691)**	(1,344,683)
Taxation	14	**1,491**	(6,890)
Loss for the year from continuing operations		**(2,257,200)**	(1,351,573)
Discontinued operation			
Loss for the year from discontinued operation	46a	**–**	(4,798)
Loss for the year		**(2,257,200)**	(1,356,371)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(10,361)**	66,871
		(10,361)	66,871

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Restated)
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**79,889**	81,205
Other comprehensive income for the year, net of income tax		**69,528**	148,076
Total comprehensive expense for the year		**(2,187,672)**	(1,208,295)
Loss for the year attributable to:			
Owners of the Company		**(2,187,830)**	(1,386,813)
– from continuing operations		**(2,187,830)**	(1,382,015)
– from discontinued operation		**–**	(4,798)
Non-controlling interests – from continuing operations		**(69,370)**	30,442
		(2,257,200)	(1,356,371)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(2,128,163)**	(1,230,657)
Non-controlling interests		**(59,509)**	22,362
		(2,187,672)	(1,208,295)
LOSS PER SHARE	17		
From continuing and discontinued operations			
Basic (RMB)		**(0.44)**	(0.28)
Diluted (RMB)		**(0.44)**	(0.28)
From continuing operations			
Basic (RMB)		**(0.44)**	(0.28)
Diluted (RMB)		**(0.44)**	(0.28)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,001,848**	925,880
Right-of-use assets	19	**300,322**	–
Prepaid lease payments	20	**–**	265,188
Interests in associates	21	**7,134**	4,658
Interests in joint ventures	22	**571,887**	1,017,421
Intangible assets	23	**341,359**	389,004
Deposits for investments	24	**–**	380,000
Goodwill	25	**323,571**	568,620
Deferred tax assets	27	**–**	11,924
Financial assets measured at FVTPL	28	**90,046**	386,413
Other receivables	29	**114,216**	76,032
Amounts due from joint ventures	30a	**36,376**	–
		2,786,759	4,025,140
CURRENT ASSETS			
Prepaid lease payments	20	**–**	7,092
Inventories	31	**205,115**	137,638
Property under development for sale	46a	**–**	276,903
Amounts due from joint ventures	30a	**220,151**	40,259
Trade and other receivables	29	**902,665**	977,422
Loan and interest receivables	32	**95,055**	1,144,886
Financial assets measured at FVTPL	28	**870,656**	2,244,917
Security account balances	33	**19,557**	17,326
Restricted bank balances	34	**481,029**	625,263
Bank balances and cash	34	**231,606**	302,966
		3,025,834	5,774,672
TOTAL ASSETS		**5,812,593**	9,799,812

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	35	**1,430,475**	1,806,309
Amounts due to joint ventures	30b	**–**	77,049
Amount due to an associate	36	**–**	2,499
Borrowings – due within one year	37	**1,236,845**	1,984,965
Convertible bonds	38	**721,925**	687,418
Lease liabilities	39	**13,686**	–
Embedded derivative components of convertible bonds	38	**–**	13,373
Income tax payable		**89,603**	97,867
Deferred income	40	**5,745**	2,673
Contract liabilities	41	**221,039**	215,816
Provisions	42	**24,149**	4,014
Contingent consideration payables	43	**–**	66,261
		3,743,467	4,958,244
NET CURRENT (LIABILITIES) ASSETS		**(717,633)**	816,428
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,069,126**	4,841,568
NON-CURRENT LIABILITIES			
Other payables	35	**142**	213
Borrowings – due after one year	37	**572,960**	1,066,423
Lease liabilities	39	**22,419**	–
Deferred income	40	**53,290**	42,706
Contract liabilities	41	**164,858**	177,866
Contingent consideration payables	43	**61,647**	50,627
Long term payables	44	**31,728**	23,086
Deferred tax liabilities	27	**102,034**	140,475
		1,009,078	1,501,396
NET ASSETS		**1,060,048**	3,340,172

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
OWNERS' EQUITY			
Share capital	45	**84,283**	84,283
Reserves		**578,424**	2,678,766
Equity attributable to:			
Owners of the Company		**662,707**	2,763,049
Non-controlling interests	55	**397,341**	577,123
		1,060,048	3,340,172

The consolidated financial statements on pages 100 to 263 were approved and authorised for issue by the Board of Directors on 29 April 2020 and are signed on its behalf by:

Dr. Wilson SEA	**Dr. ZHU Huanqiang**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Reserves									
	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000 (Note b)	Translation reserve RMB'000	Development reserve RMB'000 (Note c)	Special reserve RMB'000 (Note d)	Accumulated losses RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	80,096	3,237,643	42,917	35,713	(177,642)	8,028	6,250	(50,449)	3,102,460	291,891	3,474,447
(Loss) profit for the year	–	–	–	–	–	–	–	(1,386,813)	(1,386,813)	30,442	(1,356,371)
Exchange difference arising on translation of foreign operation	–	–	–	–	55,819	–	–	–	55,819	11,052	66,871
Exchange difference arising on translation to presentation currency	–	–	–	–	100,337	–	–	–	100,337	(19,132)	81,205
Total comprehensive income (expense) for the year	–	–	–	–	156,156	–	–	(1,386,813)	(1,230,657)	22,362	(1,208,295)
Issue of new shares	4,187	798,837	–	–	–	–	–	–	798,837	–	803,024
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	(15,000)	(15,000)
Appropriation	–	–	–	4,915	–	14,759	–	(11,548)	8,126	(8,126)	–
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	285,198	285,198
Addition arising from business combination (Note 46)	–	–	–	–	–	–	–	–	–	798	798
Transfer of special reserve to accumulated losses	–	–	–	–	–	–	(6,250)	6,250	–	–	–
At 31 December 2018	84,283	4,036,480	42,917	40,628	(21,486)	22,787	–	(1,442,560)	2,678,766	577,123	3,340,172
Loss for the year	–	–	–	–	–	–	–	(2,187,830)	(2,187,830)	(69,370)	(2,257,200)
Exchange difference arising on translation of foreign operation	–	–	–	–	(34,141)	–	–	–	(34,141)	23,780	(10,361)
Exchange difference arising on translation to presentation currency	–	–	–	–	93,808	–	–	–	93,808	(13,919)	79,889
Total comprehensive income (expense) for the year	–	–	–	–	59,667	–	–	(2,187,830)	(2,128,163)	(59,509)	(2,187,672)
Disposal of a non-wholly owned subsidiary (Note e)	–	–	–	–	–	–	–	–	–	(124,873)	(124,873)
Partial disposal of a non-wholly owned subsidiary (Note f, Note 43)	–	–	27,821	–	–	–	–	–	27,821	4,600	32,421
Appropriation	–	–	–	–	–	8,561	–	(8,561)	–	–	–
At 31 December 2019	84,283	4,036,480	70,738	40,628	38,181	31,348	–	(3,638,951)	578,424	397,341	1,060,048

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2019

Notes:

(a) The balance comprises (i) reserves arose from various reorganisation to streamline the Group's structure prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in prior years and (ii) the difference between the carrying amount of contingent consideration payable derecognised and 5% of the net assets value of Xishan Schools# disposed of (details of which are set out in Note f below).

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

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

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

(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》. During the year ended 31 December 2018, the Group resolved to reverse the special reserve.

(e) The amount represents the disposal of non-wholly owned subsidiary, Yunnan First Capital Education Management Company Limited* ("**FC Yunnan**") (雲南首控教育管理有限公司) (Note 46b).

(f) As details set out in the Company's announcement dated 30 April 2019, the Group and the non-controlling shareholders of Xishan Schools agreed to (i) cease the performance targets (arose from the acquisition of Xishan Schools) for the financial year ending 31 December 2019, (ii) transfer of 5% equity interest in Topford Vast International Co., Ltd., a subsidiary of the Company, which controls Xishan Schools, to its non-controlling shareholder. As such the Group derecognised the contingent consideration payable relating to Xishan Schools and the carrying amount of the contingent consideration payable was recognised in the capital reserve during the year ended 31 December 2019. Since the Group remained control of Xishan Schools, the transfer of 5% equity interest in Topford Vast International Co., Ltd. to its non-controlling shareholders has been regarded as equity transaction.

Xishan Schools include: Fuqing Xishan School* (福清西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan School* (江西省西山學校) and Xishan Education Group* (西山教育集團).

* For identification purpose only.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(2,258,691)**	(1,349,481)
Adjustments for:		
Amortisation of intangible assets	**67,017**	37,811
Depreciation of property, plant and equipment	**70,371**	64,423
Depreciation of right-of-use assets	**20,438**	–
(Gain) loss on disposal of property, plant and equipment	**(4,336)**	81
Fair value changes of financial assets measured at FVTPL	**976,796**	906,072
Fair value changes of contingent consideration payables	**98,188**	251
Fair value change of embedded derivative components of convertible bonds	**(13,373)**	5,865
Interest income	**(69,744)**	(69,690)
Interest expense	**285,991**	245,815
Dividends received from financial assets measured at FVTPL	**(39,756)**	(36,662)
Loss on waiving an other receivable	**34,120**	–
Share of results of joint ventures	**397,737**	92,405
Share of results of associates	**(1,231)**	(222)
Reversal of provision on inventories, net	**(10,358)**	(1,118)
Impairment loss recognised in respect of trade receivables	**32,520**	4,083
Impairment loss recognised in respect of loan and interest receivables	**111,669**	57,220
Impairment loss recognised in respect of other receivables	**39,216**	–
Impairment loss recognised in respect of amounts due from joint ventures	**13,532**	–
Impairment losses on goodwill, tangible and intangible assets	**271,395**	–
Gain on disposal of FC Yunnan	**(39,502)**	–
Loss on disposal of an associate	**3,455**	–
Loss on liquidation of a joint venture	**6**	–
Provision for property under development for sale	**–**	23,629
Release of asset-related government grants/interest-free loans	**(7,459)**	(2,541)
Release of prepaid lease payments	**–**	7,044
Unrealised foreign exchange loss	**137,421**	165,849

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Operating cash flows before movements in working capital	**115,422**	150,834
(Increase) decrease in inventories	**(57,119)**	91,333
Increase in trade and other receivables	**(70,979)**	(210,455)
Decrease (increase) in loan and interest receivables	**442,541**	(181,765)
(Decrease) increase in trade and other payables	**(280,567)**	54,896
Increase (decrease) in provisions	**20,135**	(681)
(Decrease) increase in contract liabilities	**(28,296)**	53,928
Increase in financial assets measured at FVTPL	**(149,061)**	(46,138)
Interest received	**87,841**	20,325
Decrease in customer deposits for trading securities included in the restricted bank balances	**14,215**	11,958
Cash from (used in) operations	**94,132**	(55,765)
Income tax paid	**(2,143)**	(1,919)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**91,989**	(57,684)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Additions of property, plant and equipment		**(160,537)**	(115,535)
Payments for acquisition of intangible assets		**(41,327)**	(460)
Investments in joint ventures		**–**	(200)
Investment in an associate		**(6,300)**	–
Advances of loan receivables		**(43,709)**	(757,562)
Receipt of repayments of loan receivables		**435,138**	382,616
Advances to joint ventures		**(492,280)**	–
Grants received in relation to acquisition of property, plant and equipment and interest-free loans		**21,115**	5,182
Net cash inflows for acquisition of subsidiaries	46	**–**	8,605
Interest received		**16,351**	6,277
Dividends received from financial assets measured at FVTPL		**39,756**	36,662
Proceeds from liquidation of a joint venture		**194**	–
Proceeds from liquidation of a sub-fund held by a joint venture		**54,174**	–
Repayments from non-controlling shareholders of subsidiaries		**66,942**	65,000
Net cash inflows upon disposal of Tiantai Culture	46a	**162,766**	–
Net cash inflows upon disposal of FC Yunnan	46b	**228,862**	–
Settlement of payables relating to business acquisition		**–**	(930)
Proceeds from disposal of property, plant and equipment		**19,098**	186
Acquisition of prepaid lease payments		**–**	(362)
Payments for rental deposits		**(1,371)**	–
Purchase of financial assets measured at FVTPL		**(68,194)**	(44,538)
Proceeds from disposal of financial assets measured at FVTPL		**779,413**	–
Advance to a non-controlling shareholder of Xishan Schools		**–**	(3,353)
Placement of restricted bank deposits		**(252,055)**	(143,286)
Release of restricted bank deposits		**382,075**	62,317
Payments for settlement of contingent consideration payables	43	**(107,335)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**1,032,776**	(499,381)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Advance from an associate	–	74
Capital injection from non-controlling shareholders of subsidiaries	–	281,898
Interest paid	(243,851)	(204,824)
Interest paid on lease liabilities	(840)	–
Dividend paid to non-controlling interests shareholder of a subsidiary	–	(15,000)
Repayment of long term payables	–	(5,556)
New long term payables raised	6,747	–
New borrowings raised	2,852,777	968,263
Repayment of borrowings	(3,758,927)	(891,997)
Repayment of lease liabilities	(13,604)	–
Repayment to a joint venture	(26,656)	(103,270)
Advances from joint ventures	–	77,049
Advances from ex-shareholders of subsidiaries	–	16,754
Advance receipt in respect of transfer of equity interest in a subsidiary	–	25,200
Repayment of advance in respect of transfer of equity interest in a subsidiary	(20,283)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,204,637)	148,591
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,872)	(408,474)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	320,292	694,446
Effect of foreign exchange rate changes	10,743	34,320
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	251,163	320,292
Cash and cash equivalents represented by		
Bank balances and cash	231,606	302,966
Security account balances	19,557	17,326
	251,163	320,292

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with effect from 23 November 2011. Up to the date of issuance of these consolidated financial statements, the Company does not have a controlling party. The registered office and principal place of the Company is set out in section under heading of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 54.

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

2. 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 (together with School Sponsor, collectively referred to as the "**Consolidated Affiliate Entities**") in the PRC. The subsidiaries of the Company, Fuzhou Quanyue Education Consulting Company Limited* 福州全悅教育諮詢有限公司 ("**Fuzhou WOFE**") and Jinan First Capital Education Consulting Company Limited* 濟南首控教育諮詢有限公司 ("**Jinan WOFE**") (collectively the "**WOFEs**"), have entered into contractual arrangements (the "**Contractual Arrangements**") with the School Sponsor and their equity holders, respectively, which enable the Group to:

- 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 the School Sponsor from their equity holders as collateral security for all of the School Sponsor payments due to WOFEs and to secure performance of the School Sponsor and their respective subsidiaries obligations under the Contractual Arrangements.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The schools includes: Fuqing Xishan School* (福清西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan School* (江西省西山學校) and Xishan Education Group* (西山教育集團) collectively referred to as ("**Xishan Schools**"), and Jinan Shijiyinghua Experiment School.

* For identification purpose only.

Pursuant to the Contractual Arrangement entered between the Group and the School Sponsor, the 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 under the Contractual Arrangement. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements for the both years.

The financial information of the School Sponsor and the Consolidated Affiliated Entities shown in their financial statements before elimination of the inter-company balances are set out in Note 55.

In preparing the consolidated financial statements, the directors of the Company are given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RMB2,257,200,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB717,633,000 as at 31 December 2019.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) As set out in Note 60, on 5 February 2020, the Group entered into an agreement with an independent third party (the "**Purchaser**") to dispose of the entire interest in an investment measured at FVTPL at a consideration of approximately US$18.3 million (equivalent to RMB129.7 million). The full amount of consideration (net of transaction costs and related tax expenses) has been received as of the date of approval of the consolidated financial statements.

(ii) The Group is discussing with the counterparty to restructure the existing convertible bonds (Note 38) through provision of additional collaterals and guarantees to the bondholder, and partial repayment of principal amount by instalments within the twelve months from the year end. Therefore, the directors of the Company do not expect to receive any request from the counterparty for demand for immediate repayment for the entire convertible bonds. Up to the date of approval of these consolidated financial statements, the Group has received an offer letter from the counterparty and the Group is in the process of finalising the terms with the bondholder.

(iii) The Group is actively identifying alternative sources of funding, including a financial support from Dr. Wilson Sea, the Chairman of the Company for approximately RMB100 million.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The directors of the Company consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. However, should the above refinancing measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1 January 2019.

As at 1 January 2019, other than reclassification of prepaid lease payments of RMB272,280,000 and adjustments on rental deposits of RMB761,000, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months at the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 *Leases (Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases under HKAS 17, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 3.22% to 8.00%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	60,910
Lease liabilities discounted at relevant incremental borrowing rates	46,694
Less: Recognition exemption – short-term leases	(5,838)
Practical expedient – leases with lease terms end within 12 months at the date of initial application	(1,169)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	39,687
Analysed as:	
Current	13,103
Non-current	26,584
	39,687

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		39,687
Reclassified from other receivables	(a)	639
Adjustments on rental deposits at 1 January 2019	(b)	761
Reclassified from prepaid lease payments	(c)	272,280
		313,367
By class:		
Leasehold lands		285,589
Offices		27,549
Warehouse		229
		313,367

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 *Leases (Continued)*

As a lessee *(Continued)*

(a) Before the application of HKFRS 16, the Group considered lease payments made at or before the commencement date paid as prepayments. Based on the definition of lease payments under HKFRS 16, such payments are payments relating to the right to use of the underlying assets and were adjusted to reflect the right-of-use assets. Accordingly, RMB639,000 was adjusted to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, other than those related to short-term leases which recognition exemption applied, the remaining deposits were not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB761,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB7,092,000 and RMB265,188,000, respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in the contract to each lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statements of profit or loss and other comprehensive income and cash flows for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 16 *Leases (Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** RMB'000	**Adjustments** RMB'000	**Carrying amounts under HKFRS 16 at 1 January 2019** RMB'000
NON-CURRENT ASSETS				
Right-of-use assets		–	313,367	313,367
Prepaid lease payments	(c)	265,188	(265,188)	–
CURRENT ASSETS				
Trade and other receivables	(a), (b)	977,422	(1,400)	976,022
Prepaid lease payments	(c)	7,092	(7,092)	–
CURRENT LIABILITIES				
Lease liabilities		–	(13,103)	(13,103)
NON-CURRENT LIABILITIES				
Lease liabilities		–	(26,584)	(26,584)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Definition of a Business* ("**HKFRS 3**")

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") *(Continued)*

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards *(Continued)*

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. 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 at the end of each reporting period, as explained in the accounting policies set out below.

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 with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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* ("**HKAS 36**").

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Basis of consolidation

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributable to owners of the Company and to non-controlling interests even if this results in 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 members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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 non-controlling interests according to the Group's and non-controlling interests' proportionate interest.

Any difference between the amount by which 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 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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;

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 amount 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e.the date when the Group obtain control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

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. Changes 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.

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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, 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 is not allocated to any asset, including goodwill, that 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 the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

- Sales of automobile shock absorbers
- Provision of financial and advisory services
- Provision of schooling services and management and consultancy services to educational institutions

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

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

For the provision of schooling services, revenue is recognised proportionately over the relevant period of school semesters, i.e. over the period of time for the reason that the customer simultaneously receives and consumes the schooling benefits provided by the Group's performance as the Group performs.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

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

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

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

The Group generally provides warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, existing warranties are assurance-type warranties under HKFRS 15, which continue to be accounted for under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("**HKAS 37**").

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 3)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases is recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

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.

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.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

All leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss. The initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

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

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

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

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 owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in HK$ to the Group's presentation currency in RMB are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

Effective on 1 January 2019, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowings pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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.

The benefit of government loans at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs *(Continued)*

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.

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 before tax because 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 interests in associates and joint ventures, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment 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. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other items of property, plant and equipment, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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 acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, 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 and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, 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.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

Financial instruments

Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bill receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or financial liabilities at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 or initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line items.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets which are subject to impairment including trade and other receivables, loan and interest receivables, amounts due from joint ventures, security account balances, restricted bank balances and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The Group always recognises lifetime ECL for trade and bill receivables and loan and interest receivables ("**Receivables**"). The ECL on these assets are assessed individually by considering the expected default rate. The ECL on these financial assets are estimated using the analysis of the expected default rate, i.e. analysis of Receivables individually, the credit level from the external information and so on.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider or;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and loan and interest receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as financial liabilities or equity instruments

Financial liabilities and equity instruments are classified as either financial liabilities or as equity instruments 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

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 HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

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

Derecognition

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 are derivatives.

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 hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 (the "**CGU**") or its fair value less costs of disposal 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. The fair value less costs of disposal is determined by reference to either recent transaction price or a value derived from valuation model i.e. guideline companies method, key inputs including last-twelve-month enterprise value to revenue, and enterprise value to net asset value of comparable companies are involved. Where the actual future cash flows are less than expected or changes in key assumptions underlying valuation model, further impairment loss may arise.

As at 31 December 2019, the carrying amount, before impairment, of goodwill and intangible assets with indefinite useful lives were RMB611,120,000 (2018: RMB610,720,000) and RMB161,302,000 (2018: RMB159,319,000), respectively. During the year ended 31 December 2019, impairment losses of RMB245,449,000 (2018: nil) and RMB22,958,000 (2018: nil) were recognised on goodwill and intangible assets with indefinite useful lives, respectively. Details of the impairment testing on goodwill and intangible assets with indefinite useful lives are disclosed in Note 26.

(b) Estimated impairment of loan and interest receivables

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

As at 31 December 2019, the carrying amounts of loan and interest receivables are RMB95,055,000 (2018: RMB1,144,886,000).

During the year ended 31 December 2019, impairment losses of RMB111,669,000 (2018: RMB57,220,000) were recognised.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Estimated impairment of trade receivables

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

As at 31 December 2019, the carrying amounts of trade receivables are RMB385,319,000 (2018: RMB527,924,000).

During the year ended 31 December 2019, impairment losses of RMB32,520,000 (2018: RMB4,083,000) was recognised.

(d) Valuation of financial instruments

The fair values for certain financial instruments, including financial assets measured at FVTPL (Note 28) and contingent consideration payables (Note 43) 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 assessed 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 investees, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of these financial instruments. At 31 December 2019, the carrying amount of financial assets measured at FVTPL and contingent consideration payables amounted to RMB960,702,000 (2018: RMB2,631,330,000) and RMB61,647,000 (2018: RMB116,888,000) respectively.

(e) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group. At 31 December 2019, the carrying amount of property, plant and equipment amounted to RMB1,001,848,000 (2018: RMB925,880,000).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Provision for warranty claims

Provision for warranty is made based on the possible claims on the products by customers with reference to the warranty coverage period and the percentage of warranty expenses incurred over total sales amounts historically. In case where the actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such a claim takes place. At 31 December 2019, the carrying amount of provision for warranty amounted to RMB24,149,000 (2018: RMB4,014,000).

(g) Estimated impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling 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.

At 31 December 2019, the carrying amount of inventories amounted to RMB205,115,000 (2018: RMB137,638,000). During the year ended 31 December 2019, a net reversal of RMB10,358,000 (2018: a net reversal of RMB1,118,000) for obsolete and slow-moving inventories was recognised.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(h) Estimated impairment of property, plant and equipment, right-of-use assets and intangible asset with finite useful lives *(Continued)*

As at 31 December 2019, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with definite useful lives were RMB1,001,848,000 (2018: RMB925,880,000), RMB300,322,000 (2018: nil) and RMB203,015,000 (2018: RMB229,685,000), respectively. During the year ended 31 December 2019, impairment losses of RMB1,129,000 (2018: nil), RMB879,000 (2018: nil) and RMB980,000 (2018: nil) in respect of property, plant and equipment, right-of-use assets and intangible asset with finite useful lives were recognised respectively. Details of the impairment on property, plant and equipment, right-of-use assets and intangible asset with finite useful lives are disclosed in Note 26.

6. REVENUE

Continuing operations

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019			
Segments*	**Automotive parts business RMB'000**	**Education operation business RMB'000**	**Financial services business RMB'000**	**Total RMB'000**
Types of goods or services:				
Sales of automotive absorbers to				
– the automobile market of original automobile manufacturers	886,075	–	–	886,075
– the secondary market of the automobile industry	27,288	–	–	27,288
– others	4,443	–	–	4,443
Sub-total	917,806	–	–	917,806
Provision of schooling services and management and consulting services to educational institutions				
– schooling services	–	335,415	–	335,415
– management and consultancy services	–	86,090	–	86,090
Sub-total	–	421,505	–	421,505

* Details of reportable segments are set out in Note 7.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

6. REVENUE *(Continued)*

Continuing operations *(Continued)*

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

	For the year ended 31 December 2019			
Segments*	**Automotive parts business RMB'000**	**Education operation business RMB'000**	**Financial services business RMB'000**	**Total RMB'000**
Provision of financial services and advisory services in respect of				
– private equity fund management	–	–	17,762	17,762
– underwriting, dealing and margin services	–	–	16,716	16,716
– advisory services	–	–	24,735	24,735
– others	–	–	3,715	3,715
Sub-total	–	–	62,928	62,928
Revenue from contracts with customers	917,806	421,505	62,928	1,402,239
Interest income	–	–	33,798	33,798
Revenue	917,806	421,505	96,726	1,436,037
Geographical markets:				
– the PRC	880,978	421,013	25,905	1,327,896
– Hong Kong	–	492	32,567	33,059
– Singapore	–	–	4,456	4,456
– Italy	36,828	–	–	36,828
Revenue from contracts with customers	917,806	421,505	62,928	1,402,239
Timing of revenue recognition:				
– A point in time	917,806	–	24,036	941,842
– Over time	–	421,505	38,892	460,397
Revenue from contracts with customers	917,806	421,505	62,928	1,402,239

* Details of reportable segments are set out in Note 7.

6. REVENUE *(Continued)*

Continuing operations *(Continued)*

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

Segments*	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
	For the year ended 31 December 2018			
Types of goods or services:				
Sales of automotive absorbers to				
– the automobile market of original automobile manufacturers	1,259,685	–	–	1,259,685
– the secondary market of the automobile industry	39,460	–	–	39,460
– others	54,721	–	–	54,721
Sub-total	1,353,866	–	–	1,353,866
Provision of schooling services and management and consulting services to educational institutions				
– schooling services	–	277,549	–	277,549
– management and consultancy services	–	29,087	–	29,087
Sub-total	–	306,636	–	306,636

* Details of reportable segments are set out in Note 7.

6. REVENUE *(Continued)*

Continuing operations *(Continued)*

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

	For the year ended 31 December 2018			
Segments*	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
Provision of financial services and advisory services in respect of				
– private equity fund management	–	–	33,843	33,843
– underwriting, dealing and margin services	–	–	17,614	17,614
– advisory services	–	–	12,995	12,995
– others	–	–	4,759	4,759
Sub-total	–	–	69,211	69,211
Revenue from contracts with customers	1,353,866	306,636	69,211	1,729,713
Interest income	–	–	81,084	81,084
Revenue	1,353,866	306,636	150,295	1,810,797
Geographical markets:				
– the PRC	1,345,992	306,232	39,572	1,691,796
– Hong Kong	133	–	13,228	13,361
– Singapore	–	–	16,411	16,411
– Italy	7,741	–	–	7,741
– Others	–	404	–	404
Revenue from contracts with customers	1,353,866	306,636	69,211	1,729,713
Timing of revenue recognition:				
– A point in time	1,353,866	–	36,740	1,390,606
– Over time	–	306,636	32,471	339,107
Revenue from contracts with customers	1,353,866	306,636	69,211	1,729,713

* Details of reportable segments are set out in Note 7.

6. REVENUE *(Continued)*

Continuing operations *(Continued)*

(ii) Performance obligations for contracts with customers

Automotive parts business

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

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

A contract liability, representing advance payment from a customer, is recognised for sales upon when control of the goods has yet transferred.

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

Education operation business

The Group provides education services to students and management and consulting services. These services are recognised over the relevant period of school semesters, i.e. over the period of time.

Financial services business

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

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

6. REVENUE *(Continued)*

Continuing operations *(Continued)*

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018, and the expected timing of recognising revenue are as follows:

	Automotive parts business RMB'000	**Education operation business RMB'000**	**Financial services business RMB'000**	**Total RMB'000**
At 31 December 2019				
Within one year	**5,193**	**211,579**	**6,510**	**223,282**
One to two years	**–**	**85,515**	**1,168**	**86,683**
Two to five years	**–**	**73,422**	**–**	**73,422**
Over five years	**–**	**32,151**	**–**	**32,151**
Total	**5,193**	**402,667**	**7,678**	**415,538**

	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
At 31 December 2018				
Within one year	1,477	211,231	6,139	218,847
One to two years	–	35,440	13,071	48,511
Two to five years	–	103,770	–	103,770
Over five years	–	31,539	–	31,539
Total	1,477	381,980	19,210	402,667

7. SEGMENT INFORMATION

Continuing operations

a. Products and services within each operating segment

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

7. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

b. Segment revenue and segments results

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

	Segment revenue		Segment results	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
				(Restated)
Automotive parts business	**917,806**	1,353,866	**128,470**	254,553
Education operation business	**421,505**	306,636	**141,839**	153,060
Financial services business	**96,726**	150,295	**89,906**	97,833
Total segment	**1,436,037**	1,810,797	**360,215**	505,446
Other income and expenses			**99,412**	93,718
Other gains and losses			**14,525**	(92,962)
Expected credit losses, net of reversal			**(196,937)**	(61,303)
Impairment losses on goodwill, tangible and intangible assets			**(271,395)**	–
Fair value changes of financial assets measured at FVTPL			**(976,796)**	(906,072)
Fair value changes of contingent consideration payables			**(98,188)**	(251)
Fair value changes of embedded derivative components of convertible bonds			**13,373**	(5,865)
Selling and distribution expenses			**(125,759)**	(108,856)
Research and development expenditure			**(51,327)**	(48,935)
Administrative expenses			**(343,317)**	(383,004)
Finance costs			**(285,991)**	(244,416)
Share of results of associates			**1,231**	222
Share of results of joint ventures			**(397,737)**	(92,405)
Loss before tax			**(2,258,691)**	(1,344,683)

7. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

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

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

Segments*	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
	For the year ended 31 December 2019			
Revenue from contracts with customers				
External customers	917,806	421,505	62,928	1,402,239
Inter-segment sales	–	–	20,098	20,098
Sub-total	917,806	421,505	83,026	1,422,337
Elimination	–	–	(20,098)	(20,098)
Revenue from contracts with customers	917,806	421,505	62,928	1,402,239
Interest income	–	–	33,798	33,798
Segment revenue	917,806	421,505	96,726	1,436,037

Segments*	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
	For the year ended 31 December 2018			
Revenue from contracts with customers				
External customers	1,353,866	306,636	69,211	1,729,713
Interest income	–	–	81,084	81,084
Segment revenue	1,353,866	306,636	150,295	1,810,797

* There was no inter-segment sales during the year ended 31 December 2018.

7. SEGMENT INFORMATION *(Continued)*

Continuing operations *(Continued)*

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

The accounting policies of the operating segments are the same as the Group's accounting policies disclosed in Note 4. Segment results represent the gross profit of each operating segment, conforming to the same measurement reported to the CODM for the purposes of resources allocation and performance assessment.

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

c. Geographical information

The Group principally operates in the PRC.

During the year ended 31 December 2019, 95% (2018: 93%) of the Group's revenue from external customers, based on the operation location of respective customers, is derived from the PRC.

As at 31 December 2019, 97% (2018: 96%) of the Group's property, plant and equipment and rights-of-use assets are located in the PRC.

d. Information about major customer

Revenue from major customers which accounts for 10% or more of the Group's revenue from continuing operations for the year ended 31 December 2019 or 2018 are as follows:

	2019	2018
	RMB'000	RMB'000
Automotive parts business		
– Customer A	**190,971**	279,304
– Customer B	**153,418**	204,300

8. OTHER INCOME AND EXPENSES

Continuing operations

	2019 **RMB'000**	2018 RMB'000
Interest income from financial institutions	**3,434**	2,690
Interest income from non-financial institutions	**66,310**	67,000
Government grants (Note a)	**12,263**	14,083
Release of asset-related government grants/interest-free loans (Note 40)	**7,459**	2,541
Storage services income	**2,671**	4,298
School campus ancillary services income	**75,016**	67,622
Less: associated expenses relating school campus ancillary services	**(68,728)**	(64,516)
Others	**987**	–
	99,412	93,718

Note:

a. These grants are accounted for as unconditional and immediate financial support with no future related costs nor related to any assets.

9. OTHER GAINS AND LOSSES

Continuing operations

	2019 **RMB'000**	2018 RMB'000 (Restated)
Donation	**(142)**	(330)
Exchange loss, net	**(54,860)**	(110,221)
Reversal of provision on inventories, net (Note a)	**10,358**	1,118
Dividend income from financial assets measured at FVTPL	**39,756**	36,662
Gains on disposal of scrap	**8,786**	7,492
Gains (losses) on disposal of property, plant and equipment	**4,336**	(81)
Net gain on disposal of FC Yunnan (Note 46b)	**39,502**	–
Loss on disposal of Zhejiang Cijan* (Note 21a)	**(3,455)**	–
Loss on waiving an other receivable (Note 53)	**(34,120)**	–
Provision for property under development for sale (Note b)	**–**	(23,629)
Others	**4,364**	(3,973)
	14,525	(92,962)

* Defined in Note 21.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

9. OTHER GAINS AND LOSSES *(Continued)*

Continuing operations *(Continued)*

Notes:

a. During the year ended 31 December 2019, an amount of provision on obsolete inventories amounting to RMB9,172,000 (2018: RMB31,073,000) and a reversal of RMB19,530,000 (RMB32,191,000) upon realisation of sales was made.

b. Provision represented the impairment recognised on property under development for sale based on the recoverable amounts.

10. EXPECTED CREDIT IMPAIRMENT LOSSES, NET OF REVERSAL

Continuing operations

	2019 RMB'000	2018 RMB'000
Impairment losses recognised on		
– Loan and interest receivables	**(111,669)**	(57,220)
– Other receivables	**(39,216)**	–
– Trade receivables	**(32,520)**	(4,083)
– Amounts due from joint ventures	**(13,532)**	–
	(196,937)	(61,303)

11. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FVTPL

Continuing operations

	2019 RMB'000	2018 RMB'000
Equity securities:		
– Listed in Hong Kong	**(939,521)**	(407,396)
– Listed in PRC	**94,759**	(367,578)
– Listed in overseas	**(14,320)**	(76,547)
Unlisted investments:		
– Hong Kong	**(62,017)**	(46,401)
– PRC	**366**	35
– Overseas	**(56,063)**	(8,185)
	(976,796)	(906,072)

12. FINANCE COSTS

Continuing operations

	2019 RMB'000	2018 RMB'000 (Restated)
Interest on:		
– Bank borrowings	23,484	23,663
– Other borrowings	165,069	140,167
– Lease liabilities	840	–
– Convertible bonds wholly repayable within five years (Note 38)	74,177	69,211
– Contract liabilities, at imputed interest rate	20,511	10,225
– Long-term payables, at imputed interest rate (Note 44)	1,895	1,146
	285,976	244,412
Accretion on other payables (Note 35)	15	4
	285,991	244,416

13. LOSS BEFORE TAX

Continuing operations

Loss before tax has been arrived at after charging:

	2019 RMB'000	2018 RMB'000
Employee benefits expenses (including directors):		
– salaries and other benefits	381,010	357,929
– retirement benefit scheme contributions	51,063	38,894
Total staff costs	432,073	396,823
Auditor's remuneration	4,779	5,798
Amortisation of intangible assets (included in "cost of services")	67,017	37,811
Cost of inventories recognised as expenses (included in "cost of sales" and "research and development expenditure")	757,139	1,043,264
Depreciation of property, plant and equipment	70,371	64,423
Depreciation of right-of-use assets	20,438	–
Release of prepaid lease payments	–	7,044

14. TAXATION

Continuing operations

	2019	2018
	RMB'000	RMB'000
Current tax:		
– Hong Kong	**945**	340
– PRC enterprise income tax ("**EIT**")	**7,780**	34,758
– Overseas	**–**	867
	8,725	35,965
Under-provision in prior year:		
– PRC EIT	**1,709**	–
Deferred tax credit (Note 27)	**(11,925)**	(29,075)
	(1,491)	6,890

The current income tax expense for the years ended 31 December 2019 and 2018 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 EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is at 25% from 1 January 2008 onwards.

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

On 15 December 2009, a subsidiary of the Company, Nanyang Cijan Automobile Absorber Company Limited ("**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 2015 to 2018 according to the PRC tax law. The "High and New Technology Enterprise" status has been renewed in 2018 for another 3 years.

Pursuant to the relevant tax ordinance of the Hong Kong Special Administrative Region, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

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

14. TAXATION *(Continued)*

Continuing operations *(Continued)*

Group companies incorporated in Singapore is subject to corporate income tax ("**CIT**") calculated at 17% of the estimated assessable profit. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income.

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

The tax charge for the years ended 31 December 2019 and 2018 can be reconciled to the loss before tax from continuing operations per consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Loss before tax	(2,258,691)	(1,344,683)
Tax at 25% (2018: 25%)	(564,673)	(336,171)
Tax effect of expenses not deductible for tax purpose	33,041	19,946
Tax effect of income not taxable for tax purpose	(47,771)	(27,315)
Tax effect of additional qualified expenses deductible for tax purpose (Note)	(13,584)	(12,955)
Effect of tax concessions granted to a PRC subsidiary	–	48
Tax effect of deductible temporary differences not recognised	215,066	224,123
Tax effect of tax losses not recognised	448,233	124,827
Utilisation of tax losses previously not recognised	(3,646)	(653)
Utilisation of deductible temporary differences previously not recognised	(75,623)	–
Reversal of deferred tax assets recognised in prior year	11,924	15,317
Tax effect of different tax rate in other jurisdiction	(237)	126
Tax effect of withholding tax provision on undistributed profits of a PRC subsidiary	(5,930)	(403)
Under-provision in respect of prior year	1,709	–
Total	(1,491)	6,890

Note: The amount represents additional 75% (2018: 75%) income tax deduction in respect of qualifying research and development expenditures and the one-off deductible equipment priced less than RMB5,000,000 incurred for the year.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

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

Continuing operations

(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 2019

	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	269	448	2,687	24	3,428
Mr. Zhao Zhijun	264	–	410	12	686
Dr. Zhu Huanqiang	269	2,373	1,684	–	4,326
Mr. Tang Mingyang (resigned on 29 March 2019)	67	–	672	–	739
Ms. Li Dan (resigned on 19 July 2019)	148	–	711	–	859
Non-executive director					
Mr. Li Hua (resigned on 12 December 2019)	204	–	–	–	204
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	242	–	–	–	242
Dr. Du Xiaotang (appointed on 19 July 2019)	109	–	–	–	109
Mr. Wang Song	242	–	–	–	242
Dr. Li Zhiqiang (resigned on 19 July 2019)	133	–	–	–	133
	1,947	2,821	6,164	36	10,968

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

15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(Continued)*

Continuing operations *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Year ended 31 December 2018

	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	256	855	2,564	–	3,675
Mr. Zhao Zhijun	256	–	539	13	808
Dr. Zhu Huanqiang (appointed on 1 February 2018)	235	2,717	1,561	29	4,542
Mr. Tang Mingyang	256	855	2,564	–	3,675
Ms. Li Dan	256	820	1,231	–	2,307
Mr. Yan Haiting (resigned on 1 February 2018)	21	–	103	–	124
Non-executive director					
Mr. Li Hua	205	–	–	–	205
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	231	–	–	–	231
Mr. Wang Song (appointed on 15 June 2018)	125	–	–	–	125
Dr. Li Zhiqiang	231	–	–	–	231
Mr. Chen Gang (resigned on 15 June 2018)	106	–	–	–	106
	2,178	5,247	8,562	42	16,029

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

15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(Continued)*

Continuing operations *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

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

The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group whereas those paid to non-executive director and independent non-executive directors were for their services 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 2019 and 2018.

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2019 included 2 (2018: 4) directors. The remunerations of the remaining 3 (2018: 1) highest paid individuals other than the directors are as follows:

	2019	2018
	RMB'000	RMB'000
Employees		
– salaries and other benefits	**3,607**	1,333
– discretionary bonus*	**2,902**	718
– retirement benefits scheme contributions	**94**	15
	6,603	2,066

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

15. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(Continued)*

Continuing operations *(Continued)*

(b) Employees' emoluments *(Continued)*

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

	Number of individuals	
	2019	2018
HK$2,000,000 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	2
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	5	5

For the year ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

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

17. LOSS PER SHARE

For continuing operations

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

	2019	2018 (Restated)
Loss (RMB'000)		
Loss for the year attributable to owners of the Company from continuing and discontinued operations for the purpose of basic and diluted loss per share	**(2,187,830)**	(1,386,813)
Adjust for:		
Loss for the year attributable to owners of the Company from discontinued operation	**–**	4,798
Loss for the year attributable to owners of the company from continuing operations for the purpose of basic and diluted loss per share	**(2,187,830)**	(1,382,015)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,026,892,000**	4,919,774,915

Note:

For the year ended 31 December 2019, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds during the year as it would result in a decrease in loss per share from continuing operations and there was no potential ordinary share outstanding as at the end of the year.

For the year ended 31 December 2018, the calculation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds as it would result in a decrease in loss per share from continuing operations.

17. LOSS PER SHARE *(Continued)*

From continuing and discontinued operations

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

	2019	2018
Loss		
Loss for the year attributable to owners of the Company from continuing and discontinued operations for the purpose of basic and diluted loss per share (RMB'000)	**(2,187,830)**	(1,386,813)

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

From discontinued operation

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

	2019	2018
Loss		
Loss for the year attributable to owners of the Company from discontinued operation for the purpose of basic and diluted loss per share (RMB'000)	**–**	(4,798)

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

Loss per share from discontinued operation		
– Basic (RMB)	**N/A**	–*
– Diluted (RMB)	**N/A**	–*

* The amount is less than RMB0.01.

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18. 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 2018	586,982	19,196	69,663	216,679	3,854	77,146	20,323	993,843
Additions	8,883	3,527	11,330	14,573	–	13,694	76,466	128,473
Addition through acquisition of subsidiaries (Note 46)	–	–	28	–	–	2,331	–	2,359
Transfer	14,926	–	2,606	686	–	–	(18,218)	–
Disposal	–	(463)	(801)	(239)	–	–	–	(1,503)
Exchange realignment	118	102	155	68	180	–	–	623
At 31 December 2018	610,909	22,362	82,981	231,767	4,034	93,171	78,571	1,123,795
Additions	35,818	1,126	15,567	40,022	421	37,079	32,767	162,800
Transfer	26,168	–	2,611	461	285	382	(29,907)	–
Disposal	–	(2,246)	(11,379)	(7,357)	(2,684)	–	–	(23,666)
Disposal through disposal of subsidiaries	–	(671)	(72)	–	–	(2,365)	–	(3,108)
Exchange realignment	(83)	(13)	(59)	(5)	(22)	–	–	(182)
At 31 December 2019	672,812	20,558	89,649	264,888	2,034	128,267	81,431	1,259,639
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	(48,806)	(8,191)	(9,389)	(50,420)	(2,468)	(15,184)	–	(134,458)
Provided for the year	(24,512)	(3,940)	(8,449)	(18,691)	(853)	(7,978)	–	(64,423)
Eliminated on disposal	–	305	707	224	–	–	–	1,236
Exchange realignment	(4)	(50)	(95)	(7)	(114)	–	–	(270)
At 31 December 2018	(73,322)	(11,876)	(17,226)	(68,894)	(3,435)	(23,162)	–	(197,915)
Provided for the year	(28,185)	(2,289)	(7,643)	(20,925)	(518)	(10,811)	–	(70,371)
Eliminated on disposal	–	1,630	2,457	2,460	2,357	–	–	8,904
Eliminated on disposal through disposal of subsidiaries	–	289	9	–	–	2,365	–	2,663
Exchange realignment	24	3	16	3	11	–	–	57
Impairment loss recognised for the year (Note 26)	–	–	(1,129)	–	–	–	–	(1,129)
At 31 December 2019	(101,483)	(12,243)	(23,516)	(87,356)	(1,585)	(31,608)	–	(257,791)
CARRYING VALUES								
At 31 December 2019	571,329	8,315	66,133	177,532	449	96,659	81,431	1,001,848
At 31 December 2018	537,587	10,486	65,755	162,873	599	70,009	78,571	925,880

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

As at 31 December 2019, property ownership certificate was not obtained in respect of the buildings at carrying amount of RMB337,931,000 (2018: RMB385,331,000).

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 values:

Buildings	Over the shorter of the term of lease or 20–40 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

19. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	**Offices** RMB'000	**Warehouse** RMB'000	**Total** RMB'000
As at 1 January 2019				
Carrying amount – upon application of HKFRS 16 (Note 3)	285,589	27,549	229	313,367
As at 31 December 2019				
Carrying amount	277,768	22,440	114	300,322
For the year ended 31 December 2019				
Additions to right-of-use assets	–	16,109	–	16,109
Depreciation charge	(7,821)	(12,502)	(115)	(20,438)
Exchange realignment	–	44	–	44
Early termination	–	(7,881)	–	(7,881)
Impairment	–	(879)	–	(879)
Expense relating to				
– other leases with lease terms end within 12 months at the date of initial application of HKFRS 16				1,169
– short-term leases				10,074
Total cash outflow for leases (excluding short-term leases)				(14,444)
Total cash outflow for short-term leases				(7,870)

For both years, the Group leases land, offices and warehouses for its operations use. Lease contracts are entered into for fixed terms of 12 months to 62 years, without extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. RIGHT-OF-USE ASSETS *(Continued)*

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

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

The Group has obtained the land use right certificates for all leasehold lands.

20. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2018	278,962
Addition	362
Charged for the year	(7,044)
At 31 December 2018	272,280
Adjustment to right-of-use assets upon application of HKFRS 16 (Note 3)	(272,280)
At 1 January 2019 and 31 December 2019	–

	2018 RMB'000
Current	7,092
Non-current	265,188
	272,280

21. INTERESTS IN ASSOCIATES

	31.12.2019 RMB'000	31.12.2018 RMB'000
Cost of unlisted investments in associates	**6,300**	2,500
Share of results and other comprehensive income	**834**	2,158
	7,134	4,658

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

Name of entity	**Place of establishment**	**Proportion of ownership interest held by the Group**		**Principal activities**
		2019	2018	
Zhejiang Xichuan Shock Absorber Company Limited ("**Zhejiang Cijan**") 浙江淅川減振器有限公司	PRC	**N/A**	25%	Research, development of automobile shock absorber products
Shanghai Puyuan Education Company Limited ("**Puyuan Education**") 上海璞遠教育科技有限公司	PRC	**18%**	N/A	Education services

21. INTERESTS IN ASSOCIATES *(Continued)*

a. Zhejiang Cijan

On 31 July 2019, the Group disposed of all interest in Zhejiang Cijan to an unrelated third party at a consideration of RMB1,600,000, which resulted in loss as below:

	31.12.2019 **RMB'000**
Loss on disposal of an associate:	
Consideration	**1,600**
Less: carrying amount of the 25% investment on the date of loss of significant influence	**(5,055)**
Loss on disposal	**(3,455)**

Summarised financial information in respect of Zhejiang Cijan on the disposal date and as at 31 December 2018, representing amounts shown in its financial statements prepared in conformity with HKFRSs is as below:

	31.7.2019 RMB'000	31.12.2018 RMB'000
Current assets	26,190	27,746
Non-current assets	4,920	5,501
Current liabilities	(10,892)	(14,614)
	20,218	18,633

	1.1.2019 to 31.7.2019 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Revenue	25,854	45,255
Profit and total comprehensive income for the period/year	1,588	2,489

21. INTERESTS IN ASSOCIATES *(Continued)*

a. Zhejiang Cijan *(Continued)*

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:

	31.7.2019 RMB'000	31.12.2018 RMB'000
Net assets of Zhejiang Cijan	20,218	18,633
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)	5,055	4,658

	1.1.2019 to 31.7.2019 RMB'000	1.1.2018 to 31.12.2018 RMB'000
Profit and total comprehensive income for the period/year	1,588	2,489
Proportion of the Group's ownership interest in Zhejiang Cijan	25%	25%
The Group's share of profit and other comprehensive income in Zhejiang Cijan	397	622

21. INTERESTS IN ASSOCIATES *(Continued)*

b. Puyuan Education

On 28 June 2019, the Group entered into an agreement to purchase 18% equity interest in Puyuan Education at a consideration of RMB9,000,000 comprising RMB2,700,000 payable conditional upon satisfaction of stated performance target. The Group held directorship in Puyuan Education and is able to exercise significant influence over the investee. At 31 December 2019, RMB6,300,000 was paid up whereas the conditional payable of RMB2,700,000 would be lapsed as the performance target was not satisfied.

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

	31.12.2019 **RMB'000**
Current assets	**10,842**
Non-current assets	**738**
Current liabilities	**(1,839)**
	9,741

	28.6.2019 **to** **31.12.2019** **RMB'000**
Revenue	**9,462**
Profit and total comprehensive income for the period	**2,776**
Proportion of the Group's ownership interest in Puyuan Education	**18%**
Share of result attributable to the Group	**500**
Adjustment (Note)	**334**
The Group's share of profit and other comprehensive income in Puyuan Education	**834**

21. INTERESTS IN ASSOCIATES *(Continued)*

b. Puyuan Education *(Continued)*

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

	31.12.2019
	RMB'000
Net assets of Puyuan Education	**9,741**
Proportion of the Group's ownership interest in Puyuan Education	**18%**
The Group's share of net assets of Puyuan Education	**1,753**
Consideration premium	**5,047**
Adjustments (Note)	**334**
Carrying amount of the Group's interest in Puyuan Education	**7,134**

Note: The adjustment represented share of result in Puyuan Education in proportion to Group's progressive capital contribution during the year.

22. INTERESTS IN JOINT VENTURES

	2019	2018
	RMB'000	RMB'000
Cost of interests in joint ventures	**1,105,245**	1,157,143
Share of results and other comprehensive expenses	**(533,358)**	(139,722)
	571,887	1,017,421

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

22. INTERESTS IN JOINT VENTURES *(Continued)*

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 2019	2018	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	91.51% (Note a)	92.38%	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
Zhuhai First Capital Education Investment Fund (Limited Partnership)* ("**Zhuhai Education**") 珠海首控教育產業投資基金(有限合夥)	PRC	45.47% (Note b)	20%	Equity investment
KSI Education Ltd. ("**KSI Education**")	the Unite Kingdom	49%	49%	Education services
Shenzhen Shouzhong Education Development Equity Investment Enterprise (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
Singapore Raffles Music College Pte. Ltd. ("**SRMC**") 新加坡萊佛士音樂學院有限公司	Singapore	40%	40%	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% (Note c)	50.08%	Equity investment
First Capital (Shenzhen) Educational Industry Equity Investment Enterprise (Limited Partnership)* ("**Shenzhen Education**") 首控(深圳)教育產業股權投資合夥企業(有限合夥)	PRC	N/A (Note d)	0.80%	Equity investment

* For identification purpose only.

22. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

a. During the current period, following the capital withdrawals and injections by other investors, the equity interest of Wuxi Guolian held by the Group decreased from 92.38% to 91.51% passively.

b. During the current period, following the capital withdrawals by other investors, the equity interest of Zhuhai Education held by the Group increased from 20% to 45.47% passively.

c. On 14 August 2019, one of the sub-fund held by FC Wentou was liquidated and resulted in a net gain of RMB7,072,000 which was recognised as part of "share of results of joint ventures" for the year.

d. On 8 August 2019, Shenzhen Education was liquidated and resulted in an insignificant loss shared by the Group.

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.

22. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2019 and 2018 prepared in conformity with HKFRSs are as below:

At 31 December 2019	**FC Guolian RMB'000**	**FC Lianxin RMB'000**	**Zhuhai Education RMB'000**	**KSI Education RMB'000**	**Shouzhong Education RMB'000**	**SRMC RMB'000**	**FC Wentou RMB'000**
Current assets	**65,849**	**836**	**530,059**	**115,123**	**65,616**	**15,559**	**15,012**
– cash and cash equivalent	**1,352**	**836**	**275**	**29,102**	**2,061**	**5,606**	**2,365**
Non-current assets	**–**	**7,519**	**82,500**	**58,223**	**423,937**	**5,425**	**–**
Current liabilities	**(786)**	**–**	**(333,776)**	**(7,172)**	**–**	**(8,470)**	**(145,497)**
Non-current liabilities	**–**	**–**	**–**	**(38,445)**	**–**	**–**	**–**
Revenue	**–**	**–**	**–**	**12,756**	**–**	**13,363**	**18,934**
(Loss) profit and total comprehensive (expense) income for the year	**(201,455)**	**(5,767)**	**2,250**	**(289,602)**	**(127)**	**(5,312)**	**(205,451)**

At 31 December 2018	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	KSI Education RMB'000	Shouzhong Education RMB'000	SRMC RMB'000	FC Wentou RMB'000	Shenzhen Education RMB'000
Current assets	264,095	836	773,184	410,817	127,377	19,235	367,503	25,003
– cash and cash equivalent	1,235	836	253	2,800	2,033	13	121,995	3
Non-current assets	–	9,000	211,500	1,284	223,960	7,442	190,000	–
Current liabilities	(577)	–	(148,000)	(6,320)	–	(9,060)	(54,517)	(2)
Non-current liabilities	–	–	–	–	–	(245)	–	–
Revenue	–	–	–	–	–	9,696	–	–
Profit (loss) and total comprehensive income (expense) for the year	44,626	1,482	(11,005)	(116,674)	(159,679)	(8,041)	35,278	1

22. INTERESTS IN JOINT VENTURES *(Continued)*

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

At 31 December 2019	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	KSI Education RMB'000	Shouzhong Education RMB'000	SRMC RMB'000	FC Wentou RMB'000	Total RMB'000
Net assets (liabilities) of each joint venture	65,063	8,355	278,783	127,729	489,553	12,514	(130,485)	N/A
Proportion of the Group's ownership interest in each joint venture	91.51%	60%	45.47%	49%	60%	40%	50.08%	N/A
The Group's share of net assets (liabilities) of each joint venture	59,539	5,013	126,763	62,587	293,732	5,006	(65,347)	N/A
Consideration premium	–	–	–	7,097	–	24,050	–	N/A
Exchange realignment	–	–	–	17,332	–	(157)	–	N/A
Adjustments (note a)	(11,855)	–	29,510	–	(48,198)	–	66,815	N/A
Carrying amount of the Group's interest in each joint venture	47,684	5,013	156,273	87,016	245,534	28,899	1,468	571,887
The Group's share of losses in each joint venture (note b)	(195,754)	(3,406)	(11,040)	(143,236)	(119)	(2,128)	(42,048)	(397,731)*

* During the current year, the Group recognised share of losses in Shenzhen Education of RMB6,000 for the period from 1 January 2019 to the date of liquidation i.e. 8 August 2019.

Notes to the Consolidated Financial Statements *(Continued)*

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22. INTERESTS IN JOINT VENTURES *(Continued)*

At 31 December 2018	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	KSI Education RMB'000	Shouzhong Education RMB'000	SRMC RMB'000	FC Wentou RMB'000	Shenzhen Education RMB'000	Total RMB'000
Net assets of each joint venture	263,518	9,836	836,684	405,781	351,337	17,372	502,986	25,001	N/A
Proportion of the Group's ownership interest in each joint venture	92.38%	60%	20%	49%	60%	40%	50.08%	0.80%**	N/A
The Group's share of net assets of each joint venture	243,438	5,901	167,337	198,833	210,802	6,949	251,895	200	N/A
Consideration premium	–	–	–	7,097	–	24,050	–	–	N/A
Exchange realignment	–	–	–	20,603	–	(804)	–	–	N/A
Adjustments (note a)	–	–	–	–	34,851	–	(153,731)	–	N/A
Carrying amount of the Group's interest in each joint venture	243,438	5,901	167,337	226,533	245,653	30,195	98,164	200	1,017,421
The Group's share of (losses) profit in each joint venture (note b)	(47,519)	889	(4,516)	(57,170)	1,460	(3,216)	17,667	–	(92,405)

** Pursuant to the article of association, investor partners are entitling to profit or loss of the company in proportion to their respective paid up capital contributions.

Notes:

a. At 31 December 2019 and 2018, the adjustment under Shouzhong Education and FC Wentou 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. Other adjustments resulted from the capital withdrawals and injections by other investors, which influenced the proportion of the Group's ownership interest in FC Guolian and Zhuhai Education.

b. Certain adjustments were made in respect of (i) investment gains/losses arising from the share of results in proportion to the Group's respective paid-in contributions pursuant to partnership agreement and (ii) those results that the Group agreed not to share in proportionate to its equity interest in respective joint ventures.

23. INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Software RMB'000	Student roster RMB'000	Brand RMB'000	Capital market service licence RMB'000	Financial business brand RMB'000	Total RMB'000
COST								
At 1 January 2018	10,466	555	5,208	75,994	152,829	1,446	56,291	302,789
Additions								
– through purchase	–	–	460	–	–	–	–	460
– through acquisition of businesses (Note 46)	70,090	–	–	–	100,126	–	–	170,216
Exchange realignment	–	–	–	–	–	37	1,419	1,456
At 31 December 2018	80,556	555	5,668	75,994	252,955	1,483	57,710	474,921
Additions								
– through purchase	–	–	41,327	–	–	–	–	41,327
Exchange realignment	–	–	–	–	–	50	1,933	1,983
At 31 December 2019	80,556	555	46,995	75,994	252,955	1,533	59,643	518,231
ACCUMULATED AMORTISATION AND IMPAIRMENT								
At 1 January 2018	(10,466)	(555)	(281)	(12,826)	(23,978)	–	–	(48,106)
Charge for the year	(2,336)	–	(777)	(11,237)	(23,461)	–	–	(37,811)
At 31 December 2018	(12,802)	(555)	(1,058)	(24,063)	(47,439)	–	–	(85,917)
Charge for the year	(7,009)	–	(3,221)	(16,868)	(39,919)	–	–	(67,017)
Impairment loss recognised for the year (Note 26)	–	–	(980)	–	–	(575)	(22,383)	(23,938)
At 31 December 2019	(19,811)	(555)	(5,259)	(40,931)	(87,358)	(575)	(22,383)	(176,872)
CARRYING VALUES								
At 31 December 2019	60,745	–	41,736	35,063	165,597	958	37,260	341,359
At 31 December 2018	67,754	–	4,610	51,931	205,516	1,483	57,710	389,004

23. INTANGIBLE ASSETS *(Continued)*

For intangible assets with finite useful lives:

Except that the student roster and brand in relation to Xishan School and Jinan Shijiyinghua are amortised based on the estimated student turnover rate with reference to the expected number of registered students that the Group would provide the tuition services after taking into effect of the prior years' student turnover rate, the following items are amortised on a straight-line basis over the useful life from the acquisition date:

Customer relationship	8-10 years
Patents	4 years
Software	7-10 years

Capital market service licence and financial business brand each has a legal life of 10 years and can be renewable at insignificant amount.

The management regards brand of RMB100,126,000 (2018: RMB100,126,000), without legal or contractual useful life, generated from the acquisition of Xinjiang Edukeys ("**brand from Xinjiang Edukeys**") has an indefinite useful life as the brand from Xinjiang Edukeys can be widely used without a defined period.

As a result, the "capital market service licence", "financial business brand" and "brand from Xinjiang Edukeys" are considered by directors of the Company as having an indefinite useful life because all are expected to contribute to net cash inflows indefinitely.

The Group has conducted impairment assessment of "brand from Xinjiang Edukeys" as a result from acquisition of Xinjiang Edukeys and the methodology and assumptions used for impairment assessment were the same as those for impairment assessment of goodwill relevant to CGU Xinjiang Edukeys as disclosed in Note 26. At 31 December 2019, the carrying value amounted to RMB100,126,000 (2018: RMB100,126,000) and no impairment loss were recognised for the year ended 31 December 2019 and 2018.

At 31 December 2019, the Group has also conducted impairment assessment of "capital market service licence" and "financial business brand" as a result from acquisition of Stirling Coleman and the methodology used for impairment assessment was the same as it for impairment assessment of goodwill relevant to CGU of Stirling Coleman as disclosed in Note 26. At 31 December 2019, the carrying values amounted to RMB958,000 (2018: RMB1,483,000) and RMB37,260,000 (2018: RMB57,710,000), respectively after netting of impairment loss of RMB575,000 (2018: nil) and RMB22,383,000 (2018: nil) respectively.

24. DEPOSITS FOR INVESTMENTS

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

	2019 **RMB'000**	2018 RMB'000
Wenhua College of Yunnan Art University*(雲南藝術學院文華學院)	**–**	380,000
	–	380,000

* For identification purpose only.

The deposit was paid to Intermediate People's Court of Kunming City, Yunnan Province 雲南省昆明市中級人民法院 for acquiring controlling interests in 雲南藝術學院文華學院 ("**Wenhua**") through an open auction by FC Yunnan. The deposits were derecognised upon disposal of controlling interest in FC Yunnan by the Group on 3 April 2019, details of which are set out in Note 46b.

25. GOODWILL

	2019 **RMB'000**	2018 RMB'000
COST		
At 1 January	**610,720**	407,480
Arising on acquisition of businesses (Note 46)	**–**	202,945
Exchange realignment	**400**	295
At 31 December	**611,120**	610,720
IMPAIRMENT		
At 1 January	**(42,100)**	(42,100)
Impairment loss recognised	**(245,449)**	–
At 31 December	**(287,549)**	(42,100)
CARRYING VALUES		
At 31 December	**323,571**	568,620

Particulars regarding impairment testing on goodwill are disclosed in Note 26.

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, tangible and intangible assets have been allocated to six CGUs and details are set out as below:

CGU Nanyang Cijan*:	engages in manufacturing of automobile shock absorber
CGU Brilliant Rich*:	engages in equity investment and provision of financial and advisory services
CGU 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
CGU Xinjiang Edukeys*:	engages in development, operation and management of international education service

* As defined in Note 54.

The carrying amounts of goodwill as at 31 December 2019 and 2018 allocated to these CGUs are as follows:

	Goodwill	
	2019	2018
	RMB'000	RMB'000
CGU Nanyang Cijan	**–**	29,655
CGU Brilliant Rich	**–**	59,663
CGU Jinan Baofei	**61,638**	61,638
CGU Xishan Schools	**202,746**	202,746
CGU Stirling Coleman	**–**	11,973
CGU Xinjiang Edukeys	**59,187**	202,945
Total	**323,571**	568,620

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

The management of the Group assessed the impairment on goodwill, tangible and intangible assets by reference to valuation prepared by an independent professional valuer. The impairment allowance amounts of goodwill, tangible and intangible assets as at 31 December 2019 and 2018 allocated to these CGUs are as follows:

	CGU Nanyang Cijan RMB'000	CGU Brilliant Rich RMB'000	CGU Jinan Baofei RMB'000	CGU Xishan Schools RMB'000	CGU Stirling Coleman RMB'000	CGU Xinjiang Edukeys RMB'000	Total RMB'000
Goodwill							
At 1 January 2018, and 31 December 2018	–	(42,100)	–	–	–	–	(42,100)
Impairment loss recognised	(29,655)	(59,663)	–	–	(11,973)	(143,758)	(245,049)
Exchange realignment	–	–	–	–	(400)	–	(400)
At 31 December 2019	**(29,655)**	**(101,763)**	**–**	**–**	**(12,373)**	**(143,758)**	**(287,549)**
Property, plant and equipment							
At 1 January 2018, and 31 December 2018	–	–	–	–	–	–	–
Impairment loss recognised	–	(1,129)	–	–	–	–	(1,129)
At 31 December 2019	**–**	**(1,129)**	**–**	**–**	**–**	**–**	**(1,129)**
Intangible assets							
At 1 January 2018, and 31 December 2018	–	–	–	–	–	–	–
Impairment loss recognised	–	(980)	–	–	(22,958)	–	(23,938)
At 31 December 2019	**–**	**(980)**	**–**	**–**	**(22,958)**	**–**	**(23,938)**
Right-of-use assets							
At 1 January 2018, and 31 December 2018	–	–	–	–	–	–	–
Impairment loss recognised	–	(879)	–	–	–	–	(879)
At 31 December 2019	**–**	**(879)**	**–**	**–**	**–**	**–**	**(879)**

As at 31 December 2019, the directors of the Company assessed the recoverable amounts of all CGUs by reference to valuation reports prepared by an independent qualified valuer.

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

At 31 December 2019, the recoverable amount of CGU of Stirling Coleman was determined based on market approach (2018: value in use calculation) by reference to the consideration of RMB21,125,000 from third parties for 55% equity interest in Stirling Coleman disposed by the Group after the end of reporting period. Goodwill related to Stirling Coleman amounting to RMB11,973,000 has been fully impaired and impairment amounting to RMB22,958,000 has been allocated to intangible asset to the extent the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The recoverable amount of Stirling Coleman determined based on its fair value less costs of disposal, which was classified as Level 2 of the fair value hierarchy, amounted to RMB38,409,000 as at 31 December 2019.

Facing the recession of the automobile industry and increasingly fierce market competitions in 2019, CGU of Nanyang Cijan incurred loss for the year ended 31 December 2019 and it is unlikely for the management of the Group to ascertain a reliable cash flow projection with high degree of uncertainties, the recoverable amount of CGU of Nanyang Cijan was determined based on Guideline Companies Method. The main market multiples were the last-twelve-month enterprise value to revenue ("**EV/Revenue**") and enterprise value to net asset value ("**EV/NAV**") of comparable companies, which were set out in below. Goodwill related to Nanyang Cijan amounting to RMB29,655,000 has been fully impaired and no impairment on other assets was made as the involved amounts are insignificant. As at 31 December 2019, the recoverable amount of Nanyang Cijan based on Guideline Companies Method, which was classified as Level 2 of the fair value hierarchy, amounted to RMB672,427,000, are determined with below key inputs:

	31 December 2019
EV/Revenue	**1.20**
EV/NAV	**1.00**

At 31 December 2019, other than Stirling Coleman and of Nanyang Cijan (2018: none), the recoverable amounts of other CGUs were determined based on value in use calculations. Value in use calculations used cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period (2018: 5-year period).

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

The following table sets out the key assumptions for the value in use calculation of the remaining CGUs.

	CGU Nanyang Cijan	CGU Brilliant Rich	CGU Jinan Baofei	CGU Xishan Schools	CGU Stirling Coleman	CGU Xinjiang Edukeys
Pre-tax discount rate*						
31 December 2019	**N/A**	**13.34%**	**14.12%**	**14.12%**	**N/A**	**14.07%**
31 December 2018	11.37%	24.00%	16.20%	15.74%	14.37%	14.51%
Long-term growth rate**						
31 December 2019	**N/A**	**3.00%**	**3.00%**	**3.00%**	**N/A**	**3.00%**
31 December 2018	2.22%	3.00%	3.00%	3.00%	3.00%	3.00%

* Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

** Long-term 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.

Cash flows beyond the 5-year period (2018: 5-year period) are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

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

Brilliant Rich

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, there was a decrease in revenue from provision of management and consultancy services, which represents management fees charged at a stipulated rate of total capital contribution to private equity partnerships, of which subsidiaries of Brilliant Rich act as general partner for managing the partnership. The decrease was primarily resulted from termination of a sub-fund held by a private equity partnership and withdrawal of capital from other participating partners. Besides, a significant part of revenue from provision of advisory service decreased along with termination of service contracts during the year. Together with intensifying competition in the financial and advisory services sector and uncertainties in securing new participating partners in existing private equity partnerships, the management of the Group considered the extent of future business update, current market conditions and their combined potential impact on the Company's operations, the carrying amount of goodwill related to Brilliant Rich amounting to RMB59,663,000 has been fully impaired. Impairment amounting to RMB2,988,000 has been allocated pro rata to class of assets to the extent the carrying amount of the property, plant and equipment, right-of-use assets and intangible assets is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The recoverable amount of Brilliant Rich amounted to RMB6,628,000 as at 31 December 2019.

Jinan Baofei

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. The management of the Group believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. The recoverable amount of the CGU exceeds its carrying amount by RMB176,304,000. The management of the Group determines that there is no impairment of the CGU containing goodwill during both years.

Xishan Schools

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. The management of the Group believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. The recoverable amount of the CGU exceeds its carrying amount by RMB197,937,000. The management of the Group determines that there is no impairment of the CGU containing goodwill during both years.

26. IMPAIRMENT TESTING ON GOODWILL, TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

Xinjiang Edukeys

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, having considered the growing competition in business operation, particularly in the field of "project of global access" international program, and increase in operational costs for catering market appetites, goodwill related to Xinjiang Edukeys amounting to RMB143,758,000 has been impaired. The recoverable amount of Xinjiang Edukeys amounted to RMB223,441,000 as at 31 December 2019.

If the discount rate was changed to 15.48% (2018: 15.96%), while other parameters remain constant, the recoverable amount of Xinjiang Edukeys would reduce to RMB165,642,000 (2018: RMB251,510,000) and a further impairment of goodwill in Xinjiang Edukeys of RMB57,800,000 would be recognised.

Nanyang Cijan

At 31 December 2018, other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the unit's past performance and management's expectations for the market development. At 31 December 2018, the management believed 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.

Stirling Coleman

At 31 December 2018, other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the unit's past performance and management's expectations for the market development. Based on the sensitivity analysis conducted by the management, an impairment of RMB906,000 and RMB298,000 would be resulted should a 10% decrease in projected net income and a 10% increase in discount rate, respectively.

27. DEFERRED TAXATION

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

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	–	11,924
Deferred tax liabilities	**(102,034)**	(140,475)
Total	**(102,034)**	(128,551)

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 debts RMB'000	**Provision for obsolete or slow-moving inventories** RMB'000	**Warranty** RMB'000	**Accelerated tax depreciation** RMB'000	**Tax losses** RMB'000	**Withholding tax on undistributed profits** RMB'000	**Changes in fair value of financial instruments** RMB'000	**Fair value changes of assets acquired through business combination** RMB'000	**Total** RMB'000
At 1 January 2018	2,017	5,710	704	–	7,033	(6,333)	(8,634)	(98,771)	(98,274)
Addition through acquisition of subsidiaries (Note 46)	–	–	–	–	–	–	–	(58,963)	(58,963)
Credit (charge) to profit or loss	428	(235)	(102)	(2,108)	(1,522)	403	16,700	15,511	29,075
Exchange realignment	–	–	–	–	56	–	(304)	(141)	(389)
At 31 December 2018	2,445	5,475	602	(2,108)	5,567	(5,930)	7,762	(142,364)	(128,551)
(Charge) credit to profit or loss	**–**	**(4,177)**	**–**	**(2,237)**	**(5,511)**	**5,930**	**–**	**17,920**	**11,925**
Disposal of a subsidiary (Note 46a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,950**	**14,950**
Exchange realignment	**–**	**–**	**–**	**–**	**(56)**	**–**	**–**	**(302)**	**(358)**
At 31 December 2019	**2,445**	**1,298**	**602**	**(4,345)**	**–**	**–**	**7,762**	**(109,796)**	**(102,034)**

27. DEFERRED TAXATION *(Continued)*

The Group had unrecognised tax losses as follows:

	RMB'000
At 1 January 2018	328,780
Reversal of deferred tax assets arising from tax losses	61,268
Utilisation	(2,612)
Addition	499,307
At 31 December 2018	886,743
Reversal of deferred tax assets arising from tax losses	47,696
Utilisation	(14,584)
Elimination upon disposal of subsidiaries	(64,131)
Addition	1,792,932
At 31 December 2019	**2,648,656**

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 2019, the unrecognised tax losses of RMB2,560,081,000 (2018: RMB762,349,000) will expire throughout to 2024 (2018: 2023), where the remaining unrecognised tax losses can be carried forward permanently. As at 31 December 2018, the tax losses amounting to RMB22,268,000 recognised as deferred tax assets will expire throughout to 2023. The Group has RMB1,576,798,000 (2018: RMB1,019,026,000) unrecognised deductible temporary differences as at 31 December 2019 in respect of fair value changes of financial assets measured at FVTPL, unrealised exchange differences and impairment losses.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC established subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. Other than Nanyang Cijan, other group companies established in the PRC has no distributable profits as at 31 December 2019 or 2018. At 31 December 2019 and 2018, deferred taxation had been provided in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of Nanyang Cijan at a tax rate of 10%.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

28. FINANCIAL ASSETS MEASURED AT FVTPL

	2019	2018
	RMB'000	RMB'000
Financial assets measured at FVTPL	**960,702**	2,631,330
Analysed for reporting purposes as:		
– Current assets (Note a)	**870,656**	2,244,917
– Non-current assets (Note b)	**90,046**	386,413
	960,702	2,631,330

Notes:

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

	2019	2018
	RMB'000	RMB'000
Equity securities:		
– Listed in Hong Kong	**199,896**	1,481,918
– Listed in PRC	**293,303**	504,160
– Listed in overseas	**69,063**	177,810
Unlisted investment:		
– Overseas	**262,794**	74,494
– PRC	**45,600**	6,535
	870,656	2,244,917

28. FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

Notes *(Continued)*:

a. *(Continued)*

Financial assets measured at FVTPL – current assets	Notes	As at 31 December 2019: Main business	As at 31 December 2019: Numbers of shares held '000	As at 31 December 2019: % to share holdings in the security	As at 31 December 2019: Fair value (RMB'000)	As at 31 December 2019: % to the Group's total assets	As at 31 December 2019: Investment cost (RMB'000)	For the year ended 31 December 2019: Fair value changes (RMB'000)	For the year ended 31 December 2019: Investment gain (RMB'000)	As at 31 December 2018: Fair value/ carrying amount (RMB'000)
GUANGAN AAA (SHA.600979)		Utility	70,000	7.38%	293,300	5.05%	357,460	33,972	7,000	259,328
GSV AcceleraTE Fund I, L.P.	(i)	Investment	20,000	20.59%	127,675	2.20%	122,118	(17,637)	1,796	N/A
VIRSCEND EDU (HK.1565)		Education	74,238	2.40%	122,362	2.11%	305,735	(900,777)	27,088	1,321,917
Yuanyin Holdings Limited	(ii)	Finance	100,000	10.53%	78,254	1.35%	74,494	6,408	–	74,494
SJW International Co., Ltd.	(iii)	Education	50	10.00%	56,864	0.98%	47,823	(564)	–	N/A
MindChamps (SGX.CNE)		Education	12,056	4.99%	29,629	0.51%	31,673	(2,173)	814	30,781
G8 Education Limited (GEM)		Education	2,009	0.44%	19,518	0.34%	28,074	(3,299)	905	118,815
CMBC CAPITAL HOLDINGS LTD. (HK.1141)		Finance	137,740	0.29%	17,644	0.30%	43,963	(22,479)	245	39,224
21 Century Education (HK.1598)		Education	15,111	1.24%	12,318	0.21%	25,221	(1,413)	–	16,540
Jinlu Group (SZA.000510)		Manufacture	–	–	–	–	–	59,421	–	240,745
Others*		N/A	N/A	N/A	113,092	1.95%	158,029	(21,967)	1,908	143,073
Total			N/A	N/A	870,656	15.00%	1,194,590	(870,508)	39,756	2,244,917

* Other than the above mentioned investments, the Group also invested in more than 20 securities of companies at 31 December 2019. The principal activities of these companies included in "others" are mainly engaged in education, financial services and manufacturing. The fair value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2019.

28. FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

Notes *(Continued)*:

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

	2019 RMB'000	2018 RMB'000
Unlisted investment:		
– Overseas	**11,980**	249,453
– Hong Kong	**78,066**	136,960
	90,046	386,413

The investment information of FVTPL classified under non-current assets are as following:

		As at 31 December 2019			For the year ended 31 December 2019		As at 31 December 2018
Financial assets measured at FVTPL – non-current assets	Notes	**Fair value/ carrying amount** (RMB'000)	**% to the Group's total assets**	**Investment cost** (RMB'000)	**Fair value changes** (RMB'000)	**Investment gain** (RMB'000)	**Fair value** (RMB'000)
AltSchool, PBC	(iv)	11,980	0.21%	68,814	(44,271)	–	55,876
First Capital Education Selected Fund	(v)	78,066	1.34%	134,985	(62,017)	–	136,960
GSV AcceleraTE Fund I, L.P.	(i)	–	–	–	–	–	137,405
SJW International Co., Ltd.	(iii)	–	–	–	–	–	56,172
Total		90,046	1.55%	203,799	(106,288)	–	386,413

28. FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

Notes *(Continued)*:

(i) As at 31 December 2019, the fair value of RMB127,675,000 (2018: RMB137,405,000) represents the investment in a limited partnership incorporated in the United States of America ("**USA**"), GSV AcceleraTE Fund I, L.P. ("**GSV Fund**"). The Group holds no directorship in the investee. 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.

(ii) As at 31 December 2019, the carrying amount represents investment in Yuanyin Holdings Limited, a company incorporated in BVI and its main business is providing financial services business, which included dealing in securities, underwriting and placing, advising on securities, asset management and credit financing. As at 8 March 2019, the Group entered into an agreement for acquiring 100,000,000 shares of Yuanyin Holdings Limited, representing approximately 10.53% equity interest in the investee by way of swapping the convertible bond, measured at fair value, with carrying amount of RMB74,494,000 due from Yuanyin Holdings Limited.

(iii) As at 31 December 2019, the carrying amount represents investment in SJW International Co., Ltd., a Korean incorporated unlisted entity. Its main business includes providing basic adult English courses, online children English courses, as well as Chinese, Japanese and Spanish video language courses.

(iv) As at 31 December 2019, the carrying amount of RMB11,980,000 (2018: RMB55,876,000) represents the investment in an entity incorporated in USA, 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 San Francisco Bay area and New York city.

(v) As at 31 December 2019, the carrying amount of RMB78,066,000 (2018: RMB136,960,000) represents the investment in First Capital Education Selected Fund for securities of listed companies and certain debts.

29. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2019	2018
	RMB'000	RMB'000
Trade receivables (Note a)		
– goods and services	**435,373**	545,458
Less: allowance for trade receivables	**(50,054)**	(17,534)
	385,319	527,924
Bills receivables (Note b)	**194,690**	254,753
Other receivables (Note c)	**428,689**	210,012
Less: allowance for other receivables	**(39,216)**	–
	389,473	210,012
Value-added tax recoverable	**12,667**	8,947
Advances to suppliers	**34,732**	51,818
	1,016,881	1,053,454
Less: amounts shown under non-current assets		
– other receivables (Note c)	**(114,216)**	(76,032)
Total trade and other receivables shown under current assets	**902,665**	977,422

As at 1 January 2018, the carrying amount of trade and bills receivables from contracts with customers amounted to RMB577,282,000.

Rental deposits paid was adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in Note 3.

The Group does not hold any collateral over these balances.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9 for trade receivables and bill receivables, whereas 12m ECL is assessed for other receivables, unless when there has been a significant increase in credit risk since initial recognition in which the Group recognises lifetime ECL. Details of information about the exposure to credit risk and ECL for trade and other receivables are set out in Note 52.

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Note a

Before accepting any new customer of trade-related, 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. The credit term for sales of goods is 90 days and there is no credit term for the provision of services.

The following is an aged analysis of trade receivables presented based on invoice date, net of allowance for trade debts (also approximate to the date of revenue recognition).

	2019 **RMB'000**	2018 RMB'000
0 to 90 days	**347,234**	448,934
91 to 180 days	**24,214**	58,259
181 to 365 days	**13,871**	19,570
Over 365 days	**–**	1,161
	385,319	527,924

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. All bills received by the Group are with a maturity period of less than one year.

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

	2019 **RMB'000**	2018 RMB'000
0 to 30 days	**52,870**	39,531
31 to 60 days	**67,374**	46,406
61 to 90 days	**16,898**	56,017
91 to 120 days	**21,905**	24,645
121 to 150 days	**23,504**	49,442
151 to 180 days	**12,039**	36,927
181 to 365 days	**100**	1,785
	194,690	254,753

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Note c

The balance of other receivables, is as follows:

	2019 RMB'000	2018 RMB'000
Amount due from a company resulting from acquisition of Xishan Schools (i)	**22,978**	76,033
Receivable from non-controlling shareholders of Xishan Schools (ii)	**91,687**	3,353
Receivable from the ex-shareholders of Tiantai Culture*	**–**	10,612
Receivable from a third party (iii)	**87,639**	–
Consideration receivable from disposal of 30% equity interest in FC Yunnan (Note 46b)	**95,000**	–
Consideration receivable from disposal of financial assets measured at FVTPL (iv)	**48,791**	–
Receivable from Wenhua	**–**	20,000
Deposits receivable from other third parties	**–**	39,374
Staff loan	**8,244**	10,817
Rental deposits	**6,439**	6,889
Others (v)	**28,695**	42,934
	389,473	210,012
Less: amounts shown under non-current assets	**(114,216)**	(76,032)
Total other receivables shown under current assets	**275,257**	133,980

* Defined in Note 46.

(i) The balance represents receivable from a company established in the PRC. The balance was guaranteed by the non-controlling shareholders of Xishan Schools. The balance is non-trade related, non-interest bearing, and repayable on demand. The balance expected to be settled beyond one year from the end of the reporting period 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 settled beyond one year from the end of the reporting period and is classified as non-current asset. The balance is secured by the equity interest in Xishan Schools held by the non-controlling shareholder.

(iii) During the year ended 31 December 2019, the loan and interest receivable with carrying amount of RMB106,664,000 was assigned by the original borrower to a third party. At 31 December 2019, the balance is non-interest bearing and unsecured, and the management expect to recover the amount within one year from the end of the reporting period.

(iv) The amount arose from (i) disposal of an aggregate of 61,258,365 shares in Sichuan Jinlu Group Co., Ltd. ("**Jinlu Group**"), representing approximately 10.06% of the total number of issued shares of Jinlu Group, for a consideration of RMB300,200,000; (ii) disposal of shares of VIRSCEND EDU to an unrelated third party with details set out in Note 53c. The balance is non-interest bearing, unsecured and the management expect to recover the amount within one year.

(v) The balance is mainly comprising the prepaid expenses i.e. advertising and other deposits amounting to RMB11,417,000 (2018: RMB12,859,000) and RMB6,611,000 (2018: RMB8,726,000), respectively.

30. AMOUNTS DUE FROM (TO) JOINT VENTURES

a. Amounts due from joint ventures

	2019 **RMB'000**	2018 RMB'000
FC Wentou	**38,162**	40,257
KSI Education	**9,345**	–
Shenzhen Education*	**–**	2
Zhuhai Education	**209,020**	–
	256,527	40,259
Less: amounts shown under non-current assets#	**(36,376)**	–
Total amounts shown under current assets	**220,151**	40,259

* The joint venture was liquidated on 8 August 2019, details of which are set out in Note 22.

\# The amounts are non-trade related, unsecured, non-interest bearing, and without a fixed repayment term. The balances not expected to be collected within twelve months from the end of the reporting period were presented as non-current assets.

The impairment assessment on amounts due from joint ventures is set out in Note 52c.

b. Amounts due to joint ventures

	2019 **RMB'000**	2018 RMB'000
Zhuhai Education	**–**	65,850
KSI Education	**–**	11,199
	–	77,049

The amounts were non-trade related, unsecured, non-interest bearing, and without a fixed repayment term.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

31. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**20,109**	23,615
Work-in-progress	**5,390**	6,486
Finished goods	**178,968**	106,523
Consumables	**648**	1,014
	205,115	137,638

At 31 December 2019, included in the carrying amount are provision of RMB25,987,000 (2018: RMB36,950,000), which is determined with reference to the net realisable values of the inventory items. Additional provision of RMB9,172,000 (2018: RMB31,073,000), a reversal of RMB19,530,000 (2018: RMB32,191,000) and a write-off of RMB605,000 (2018: RMB448,000) upon realisation of sales was made during the year ended 31 December 2019.

32. LOAN AND INTEREST RECEIVABLES

	2019 RMB'000	2018 RMB'000
Loan receivables	**196,220**	1,130,625
Interest receivables	**67,397**	71,481
	263,617	1,202,106
Less: allowance for loan and interest receivables	**(168,562)**	(57,220)
	95,055	1,144,886

The balances outstanding as at 31 December 2019 are of original maturity terms ranging from 13 days to 12 months (2018: from 20 days to 12 months). All loan receivables carry interest of 2% – 17% (2018: 5% – 17%) per annum. As at 31 December 2019, all the balances are aged within one year (31 December 2018: within one year).

32. LOAN AND INTEREST RECEIVABLES *(Continued)*

At 31 December 2019, the balances mainly comprised of:

(i) Loan and interest receivables with carrying amount of RMB4,603,000 (2018: RMB121,334,000), from individuals were guaranteed by the securities accounts held by each borrower.

(ii) Loan and interest receivable with carrying amount of RMB32,621,000 (2018: RMB24,157,000), was guaranteed by bank deposit of corresponding amount which deposited to the Group by the borrower.

(iii) An interest receivable with carrying amount of RMB28,590,000 (2018: loans and interest receivables of RMB466,436,000), as the loan principal was fully repaid during the year ended 31 December 2019.

(iv) The remaining balances with carrying amount of RMB29,241,000 (2018: RMB532,959,000) represent loans and accrued interests advanced to companies established in the PRC and BVI.

The management of the Group reviewed the financial position of the borrowers on regular basis and assessed credit risk individually. The Group applied simplified approach to provide the expected credit losses prescribed by HKFRS 9. The impairment assessment on loan and interest receivables is set out in Note 52c.

33. SECURITY ACCOUNT BALANCES

As at 31 December 2019 and 2018, the security account balances represent deposits placed by the Group in security trading companies. The balances are unsecured, non-interest bearing and can be withdrawn at any time without penalty.

34. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at 31 December 2019, bank balances carry interest at market rates ranging from 0.001% to 0.35% (2018: 0.001% to 0.35%) per annum.

As at 31 December 2019, included in the balances of restricted bank balances are (i) an aggregate amount of RMB96,079,000 (2018: RMB110,294,000) representing the customer deposits for trading securities, (ii) RMB270,283,000 (2018: RMB337,225,000) representing the trust bank deposit held by the Group in a bank with the corresponding amount recognised by the Group as payable to the ex-shareholder of Brilliant Rich, (iii) RMB107,610,000 (2018: RMB160,000,000) 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, (iv) RMB54,000 (2018: RMB52,000) representing the fund held in a trust account for Stirling Coleman, and (v) RMB7,003,000 (2018: RMB372,000) representing other restricted funds, (vi) nil (2018: RMB17,320,000) representing the escrow account managed by four parties in a bank account.

As at 31 December 2019, restricted bank balances, carrying interest at market rates ranging from 1.30% to 3.86% (2018: 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 2019

35. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables (Note a)	**627,912**	668,715
Bills payables (Note b)	**142,830**	180,000
	770,742	848,715
Other payables (Note c)	**322,276**	558,900
Customer deposits for securities trading	**104,134**	101,390
Other payables to employees (Note d)	**223**	316
Other tax payables	**19,486**	62,153
Other accruals	**86,365**	99,597
Payroll and welfare payables	**127,391**	135,451
	1,430,617	1,806,522
Less: Amount shown under non-current liabilities	**(142)**	(213)
Total trade and other payables shown under current liabilities	**1,430,475**	1,806,309

Note a

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

	2019 RMB'000	2018 RMB'000
Within 90 days	**557,215**	543,378
91 to 180 days	**38,172**	92,270
181 to 365 days	**22,027**	23,758
1 to 2 years	**10,498**	9,309
	627,912	668,715

35. TRADE AND OTHER PAYABLES *(Continued)*

Note b

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

	2019	2018
	RMB'000	RMB'000
Within 30 days	**24,400**	15,000
31 to 60 days	**21,430**	40,000
61 to 90 days	**5,000**	40,540
91 to 180 days	**52,000**	84,460
Over 180 days	**40,000**	–
	142,830	180,000

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

Note c

The following is the balance of other payables:

	2019	2018
	RMB'000	RMB'000
Payable to the ex-shareholder of Brilliant Rich*	**270,283**	337,225
Payable to the ex-shareholder of Tiantai Culture*	**–**	8,529
Payable in relation to Stirling Coleman (Note 43)	**13,666**	–
Other payable to Zhejiang Cijian (Note 36)	**2,499**	–
Deposit from third party**	**–**	135,720
Advance received in respect of transfer of equity interest in FC Yunnan	**4,917**	25,200
Consulting fee payable	**11,721**	10,121
Others	**19,190**	42,105
	322,276	558,900

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

** The carrying amount at 31 December 2018 represented pledged deposit received for loan receivable to an independent third party. The amount was fully refunded to the counterparty upon the settlement of loan receivable during the year ended 31 December 2019.

35. TRADE AND OTHER PAYABLES *(Continued)*

Note d

Other payables to employees are interest-free and the settlement of the obligations is estimated to occur through to 2026. The payables to employees 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 2019 and 2018. Management has allocated the payables that are required to be settled within twelve months after the end of reporting period as current liabilities.

	2019 RMB'000	2018 RMB'000
At beginning of the year	**316**	453
Settlements	**(108)**	(141)
Accretion during the year (Note 12)	**15**	4
At end of the year	**223**	316
Analysed for reporting purposes:		
Current liabilities	**81**	103
Non-current liabilities	**142**	213
	223	316

36. AMOUNT DUE TO AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Zhejiang Cijan	**–**	2,499

At 31 December 2018, the amount was non-trade related, unsecured, non-interest bearing, and without a fixed repayment term.

Following the disposal of the entire interest of 25% in Zhejiang Cijian in July 2019, the balance was reclassified to "other payables" and remained outstanding at 31 December 2019.

37. BORROWINGS

	2019	2018
	RMB'000	RMB'000
Bank borrowings	**497,500**	685,938
Debentures	**419,194**	389,484
Other borrowings (Note)	**893,111**	1,975,966
	1,809,805	3,051,388
Unsecured and unguaranteed borrowings	**1,201,493**	1,260,040
Secured and unguaranteed borrowings	**608,312**	1,791,348
	1,809,805	3,051,388

The Group's borrowings that are denominated foreign currency other than the functional currencies of the relevant group entities are set out below:

	2019	2018
	RMB'000	RMB'000
Denominated in HK$	**28,616**	638,388

Note: As at 31 December 2019, among other borrowings, (i) RMB103,317,000 (2018: RMB103,293,000) was the interest-free loan from a joint venture, Shouzhong Education, without a fixed repayment term, (ii) RMB48,694,000 (2018: nil) represented interest-free loans from government which are prepayable in 2024, and (iii) RMB741,100,000 (2018: RMB1,040,299,000) were from the unrelated third-parties, bearing interest range from 0% to 18% (2018: 2% to 13%) per annum, which will be due within five years.

As at 31 December 2018, among other borrowings, RMB832,374,000 was advanced from a joint venture, Zhuhai Education carrying fixed interest rate of 2% per annum, with maturity due within three years.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

37. BORROWINGS *(Continued)*

The contractual maturity dates of borrowings are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**1,236,845**	1,984,965
More than one year, but not exceeding two years	**252,599**	626,947
More than two years, but not exceeding five years	**187,827**	311,708
More than five years	**132,534**	127,768
	1,809,805	3,051,388
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(1,236,845)**	(1,984,965)
Amounts shown under non-current liabilities	**572,960**	1,066,423

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

	2019	2018
	China loan prime rate	China lending benchmark interest rate
Variable-rate borrowings	**-0.285% to +0.75%**	+0.05% to 0.435%
Fixed-rate borrowings	**0% to 18.00%**	2.00% to 13.00%

37. BORROWINGS *(Continued)*

The Group has pledged certain assets to secure loan facilities granted to the Group. The carrying values of the assets pledged are as follows:

	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**150,912**	40,053
Financial assets measured at FVTPL	**371,554**	1,021,060
	522,466	1,061,113

At 31 December 2019, certain shareholders of the Company, including Wealth Max Holding Limited and Hongkong Chuang Yue Company Limited also pledged the Company's shares with fair value amounting to RMB219,920,000 (2018: RMB3,994,072,000) to the financial institutions for securing financial facilities granted to the Group.

The bank borrowings bear interest rate of 10% downward of China lending benchmark as at 31 December 2019. The amounts are repayable at various dates throughout to 2022. At 31 December 2019, the bank borrowings was reclassified as current liability as it became repayable on demand due to breaching of the covenant underlying the loan agreement for which a mandatory bank account was not maintained as requested by the bank.

38. CONVERTIBLE BONDS

On 14 December 2017 (the "**Issue Date**"), the Company issued HK$ denominated and HK$ settled bonds at par with the aggregate principal amount of HK$800,000,000 with conversion price of HK$3.27 (subject to adjustment) per share (the "**Convertible Bonds**"). The Convertible Bonds is with maturity date on 13 December 2019 (the "**Maturity Date**") and the Company is bound to redeem at par 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.

38. CONVERTIBLE BONDS *(Continued)*

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.

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 prior to the Maturity Date was 10.39% (2018: 10.39%).

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.

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 2018, the fair value of the options amounted to RMB13,373,000. For the year ended 31 December 2019, fair value change of the options amounting to RMB13,373,000 (2018: RMB5,865,000) was recognised in the profit or loss.

38. CONVERTIBLE BONDS *(Continued)*

The movement of liability component of the Convertible Bonds for the year is set out as below:

	RMB'000
At 1 January 2018	634,149
Interest charged	69,211
Interest paid	(47,353)
Exchange realignment	31,411
At 31 December 2018	687,418
Interest charged (Note 12)	74,177
Interest paid	(55,298)
Exchange realignment	15,628
At 31 December 2019	721,925

At 31 December 2019, the balance consists of the principal amount of RMB716,624,000 and the accrued interest of RMB5,301,000. The principal amount of the Convertible Bonds bears interest on the late payment of 15% per annum and is repayable on demand as the Company is in default to redeem the Convertible Bonds on the Maturity Date.

39. LEASE LIABILITIES

	31/12/2019 RMB'000
Lease liabilities payable:	
Within one year	**13,686**
Within a period of more than one year but not more than two years	**8,763**
Within a period of more than two years but not more than five years	**2,109**
Within a period of more than five years	**11,547**
	36,105
Less: Amount due for settlement with 12 months shown under current liabilities	**(13,686)**
Amount due for settlement after 12 months shown under non-current liabilities	**22,419**

39. LEASE LIABILITIES *(Continued)*

Lease obligations that are denominated in RMB other than the functional currencies of the relevant group entities are set out below:

	RMB'000
As at 31 December 2019	**1,804**

40. DEFERRED INCOME

	Government Grants (Note) RMB'000
At 1 January 2018	42,738
Additions	5,182
Utilisations (Note 8)	(2,541)
At 31 December 2018	45,379
Additions	21,115
Utilisations (Note 8)	(7,459)
At 31 December 2019	59,035

40. DEFERRED INCOME *(Continued)*

	2019 **RMB'000**	2018 RMB'000
Analysed for reporting purposes as:		
Current liabilities*	**5,745**	2,673
Non-current liabilities	**53,290**	42,706
	59,035	45,379

* 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 liabilities.

Note: The government grants mainly represented amounts designated for the expenditure on development of the recycling and purifying facilities received in 2009, and the amounts received in relation to acquisition of certain plant and equipment, which were recorded as deferred income in the consolidated statement of financial position and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

In 2019, the Group received from the PRC government interest-free loans with proceeds of RMB59,490,000 for daily operation. The interest-free loan is initially measured at its fair value of RMB46,835,000. The benefit derived from such an interest-free loan of RMB12,655,000, that represents the difference between the proceeds of RMB59,490,000 and the fair value of the loan on initial recognition, is recognised as deferred income and will be recognised in profit or loss on the same basis. At 31 December 2019, these government loans are measured at amortised cost using the effective interest method.

41. CONTRACT LIABILITIES

	31/12/2019 **RMB'000**	31/12/2018 RMB'000
Advanced tuition fee	**380,387**	392,205
Advanced from customers	**5,510**	1,477
	385,897	393,682

	31/12/2019 **RMB'000**	31/12/2018 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**221,039**	215,816
Non-current liabilities	**164,858**	177,866
	385,897	393,682

41. CONTRACT LIABILITIES *(Continued)*

At 1 January 2018, the balance amounted to RMB317,259,000.

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

	Advanced tuition fee RMB'000	Advanced from customers RMB'000	Total RMB'000
For the year ended 31 December 2019			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**202,921**	**1,477**	**204,398**

	Advanced Tuition fee RMB'000
For the year ended 31 December 2018	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	139,231

At 31 December 2019, the contract liabilities represent the Group's obligation to transfer schooling services to customers for which the Group has received advance payments from the customers, the balance will be recognised as revenue for the year ending 31 December 2020 throughout to year ended 31 December 2034 (2018: 2019 to 2034).

42. PROVISIONS

	Warranty Provision RMB'000
At 1 January 2018	4,695
Additions	35,620
Utilisations	(36,301)
At 31 December 2018	4,014
Additions	63,370
Utilisations	(43,235)
At 31 December 2019	24,149

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.

43. CONTINGENT CONSIDERATION PAYABLES

	2019 **RMB'000**	2018 RMB'000
Contingent consideration payables	**61,647**	116,888
Less: Amount shown under non-current liabilities	**(61,647)**	(50,627)
Total contingent consideration payables shown under current liabilities	**–**	66,261

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

43. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

	Xishan Schools RMB'000 (Note a)	**Stirling Coleman** RMB'000 (Note b)	**Xinjiang Edukeys** RMB'000 (Note c)	**FC Wentou** RMB'000 (Note d)	**Total** RMB'000
1 January 2018	13,814	16,109	–	–	29,923
Addition	–	–	86,314	–	86,314
Fair value changes	20,304	–	(20,053)	–	251
Exchange realignment	–	400	–	–	400
31 December 2018	34,118	16,509	66,261	–	116,888
Fair value changes	(1,697)	(2,836)	(66,261)	168,982	98,188
Settlement	–	–	–	(107,335)	(107,335)
Transfer to other payable	–	(13,666)	–	–	(13,666)
Obligation discharged	(32,421)	–	–	–	(32,421)
Exchange realignment	–	(7)	–	–	(7)
31 December 2019	–	–	–	61,647	61,647

Notes:

(a) The fair value of the contingent consideration payable option arising from acquisition of Xishan Schools was calculated using discounted cash flow model. The contingent consideration payable of the Company was discharged on 30 April 2019. Details of which are set out in note f to the consolidated statement of changes in equity. Major inputs and assumptions of the model were set out as follows:

	30 April 2019	31 December 2018
Discount rate	13.62%	15.74%
Long-term sustainable growth rate	3%	3%
Risk-free rate	1.76%	2.66%

43. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

Notes: *(Continued)*

(b) The fair value of the contingent consideration payable option arising from acquisition of Stirling Coleman was relevant to the management's performance with the fixed agreed amount. During the year ended 31 December 2019, the management performance was satisfied at stated level and the payable was reclassified to "other payable" and remained outstanding at the year end.

(c) The fair value of the contingent consideration payable option arising from acquisition of Xinjiang Edukeys (Note 46c) is calculated using Black-Scholes-model. The contingent consideration payable of the Company is discharged as at 30 June 2019. Major inputs and assumptions of the model were set out as follows:

	30 June 2019	31 December 2018
Share price of the company	HK$2.33	HK$4.45
Expected volatility	43%	47%
Risk-free rate	2.19%	1.81%

(d) The fair value of the contingent consideration payable in connection with FC Wentou is determined based on the initial paid-in capital contribution from other investment partners, the fixed return of 8% per annum over paid-in capital, and the net payables borne by FC Wentou pursuant to the investment agreement. At 31 December 2018, no recognition of the contingent consideration payable was made as the involved amount was insignificant. The balance is not contractually to be repaid within the next twelve months from 31 December 2019.

44. LONG TERM PAYABLES

	2019 **RMB'000**	2018 RMB'000
Long term payables	**31,728**	23,086

The balance is measured at imputed interest rate of 4.9% per annum and the balance is unsecured and repayable by instalments throughout to 2029. During the year ended 31 December 2019, interest expense of RMB1,895,000 (2018: RMB1,146,000) was recognised as financial costs.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

45. SHARE CAPITAL

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

	31.12.2019 **RMB'000**	31.12.2018 RMB'000
Share capital presented in consolidated statement of financial position	**84,283**	84,283

Notes:

a. On 26 February 2018, 76,300,000 shares of the Company were issued at HK$3.08 per share by way of consideration issue for the purpose of acquiring 100% of shares of Tiantai Culture (Note 46d).

b. On 26 February 2018, 18,140,000 shares of the Company were issued at HK$3.08 per share by way of consideration issue for the purpose of acquiring 50,000 shares, representing 10% of total shares, of SJW International Co., Ltd., which was recognised as financial assets measured at FVTPL upon completion of the acquisition (Note 28).

c. On 6 July 2018, 74,500,000 shares of the Company were issued at HK$4.38 per share by way of consideration issue for the purpose of acquiring 29,400,000 of shares of KSI Education, which was recoginised as a joint venture upon completion of the investment (Note 22).

d. On 6 September 2018, 80,452,000 shares of the Company were issued at HK$4.17 per share by way of consideration issue for the purpose of acquiring 100% of shares of Xinjiang Edukeys (Note 46c).

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

a. Disposal of Kaifeng Tiantai Culture Media Limited ("Tiantai Culture") (開封天泰文化傳媒有限公司)

During the current year, the Group entered into an agreement to dispose of its 100% equity interest in Tiantai Culture. Tiantai Culture and its subsidiaries are regarded as a discontinued operation ("**Discontinued Operation**"). The purpose of the disposal is to focus on the expansion of the Group's other businesses. The disposal was completed on 29 March 2019, on which date the Group lost control of Tiantai Culture.

The loss for the period from the Discontinued Operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results from the Discontinued Operation.

	Period ended	
	31.12.2019	31.12.2018
	RMB'000	RMB'000
Loss from Discontinued Operation for the period	**(3,695)**	(4,798)
Gain on disposal of Tiantai Culture	**3,695**	–
	–	(4,798)

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

a. Disposal of Kaifeng Tiantai Culture Media Limited ("Tiantai Culture") (開封天泰文化傳媒有限公司) *(Continued)*

The results of the Discontinued Operation for the period from 1 January 2019 to 29 March 2019 and for the year ended 31 December 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	01.01.2019 to 29.03.2019 RMB'000	Year ended 31.12.2018 RMB'000
Other gains and losses	**(23)**	(21)
Selling and distribution expenses	**–**	(6)
Administrative expenses	**(1,160)**	(3,372)
Finance costs	**(2,512)**	(1,399)
Loss before taxation	**(3,695)**	(4,798)
Taxation	**–**	–
Loss for the period	**(3,695)**	(4,798)

For the period ended 29 March 2019, the Discontinued Operation used approximately RMB77,000 (year ended 31 December 2018: generated from Discontinued Operation of approximately RMB892,000) of the Group's net operating cash flows, paid nil (year ended 31 December 2018: approximately RMB3,001,000) in respect of financing activities and no cash flow contributed to the Group's investing activities (year ended 31 December 2018: received approximately RMB2,262,000 from the Group's investing activities).

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

a. Disposal of Kaifeng Tiantai Culture Media Limited ("Tiantai Culture") (開封天泰文化傳媒有限公司) *(Continued)*

Consideration received:

	RMB'000
Cash received	162,880
Total	162,880

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	63
Bank balances and cash	114
Property under development for sale	289,695
Trade and other receivables	69,019
Trade and other payables	(135,657)
Amount due to immediate holding company	(39,120)
Borrowings	(9,979)
Deferred tax liabilities	(14,950)
Net assets disposed of	159,185

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

a. Disposal of Kaifeng Tiantai Culture Media Limited ("Tiantai Culture") (開封天泰文化傳媒有限公司) *(Continued)*

Gain on disposal of Tiantai Culture:

	RMB'000
Consideration received	162,880
Less: Net assets disposed of	(159,185)
Gain on disposal	3,695

Net cash inflow on disposal of a subsidiary:

	RMB'000
Cash consideration	162,880
Less: cash and cash equivalent balances disposed of	(114)
	162,766

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

b. Disposal of FC Yunnan

During the current year, the Group entered into an agreement to dispose of its 40% equity interest in FC Yunnan for RMB240,000,000. The purpose of the disposal is to generate cash for the expansion of the Group's other business. The disposal was completed on 3 April 2019, on which date the Group lost control of FC Yunnan and a gain of RMB73,502,000 arising on disposal of 40% equity interest in FC Yunnan was resulted. Following the disposal, the remaining 30% equity interest in FC Yunnan held by the Group, with a fair value of RMB180,000,000 at the date of disposal was reclassified as investment in an associate and a gain resulting from the remeasurement of the remaining interest in FC Yunnan amounting to RMB55,127,000 was recognised in the profit or loss. In an effort to improve the Group's liquidity position, the Group further entered into an agreement to dispose of its remaining 30% equity interest in FC Yunnan with the same purchaser for RMB95,000,000 on 22 October 2019 and a loss of RMB89,127,000 was resulted, being the deficit between the consideration and the carrying amount of the 30% interest in FC Yunnan at the disposal date. The Group no longer holds equity interest in FC Yunnan since then. The share of results of FC Yunnan is insignificant during the period as an associate of the Group.

Consideration received:

	RMB'000
Cash received	240,000
Total	240,000

Analysis of assets and liabilities of FC Yunnan over which the control was lost:

	RMB'000
Property, plant and equipment	382
Bank balances and cash	11,138
Trade and other receivables	43,429
Deposits for investments	380,000
Trade and other payables	(2,150)
Tax payables	(16,555)
Net assets disposed of	416,244

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

b. Disposal of FC Yunnan *(Continued)*

Gain on disposal of FC Yunnan:

	RMB'000
Consideration received	240,000
Less: Net assets disposed of	(416,244)
Add: Non-controlling interest (30%)	124,873
Remaining 30% equity interest held by the Group	124,873
Gain on disposal	73,502

Net cash inflow on disposal of a subsidiary:

	RMB'000
Cash consideration	240,000
Less: cash and cash equivalent balances disposed of	(11,138)
	228,862

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018

c. Acquisition of Xinjiang Edukeys

On 6 September 2018, the Group acquired 100% equity interest in Xinjiang Edukeys, a company incorporated in PRC, for consideration of (i) issuing 80,452,000 new shares amounting to HK$335,485,000 (equivalent to RMB291,570,000), determined using the quoted price at the date of the acquisition (ii) a contingent consideration payable amounting to RMB86,314,000. This acquisition had been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB202,945,000. Details of the acquisition were set out in the Company's announcement dated 6 September 2018.

Pursuant to the acquisition agreement, the outgoing shareholders and management team of Xinjiang Edukeys undertook to the Group that the profit for the school year ended 31 August 2018 (prepared in accordance with the PRC accounting standards) should not be less than RMB25,290,000, in which the undertaking had been completed for the year ended 31 December 2018.

Included in the sale and purchase agreement, the Group guaranteed the seller of Xinjiang Edukeys that the Group's share price within three months after the lock-up period would not be lower than HK$5.02. Otherwise the Group would compensate the seller the price margin between HK$5.02 and the share price. The guarantee provided by the Group was recognised as contingent consideration payable.

Consideration transferred:

	RMB'000
Consideration shares issued	291,570
Contingent consideration (Note 43)	86,314
Total	377,884

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

c. Acquisition of Xinjiang Edukeys *(Continued)*

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

	RMB'000
Trade and other receivables*	11,273
Bank balances and cash	16,731
Amounts due from related parties	44,789
Trade and other payables	(10,465)
Tax liabilities	(1,322)
Contract liabilities	(12,270)
Intangible assets	
– Customer relationship	70,090
– Brand	100,126
Deferred tax liabilities	(44,013)
	174,939

* The fair value of trade and other receivables at the date of acquisition amounted to RMB11,273,000, 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.

Goodwill arising on acquisition:

	RMB'000
Consideration	377,884
Less: net assets acquired	(174,939)
Goodwill arising on acquisition	202,945

Goodwill arose in the acquisition of Xinjiang Edukeys 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, assembled workforce and the cooperation contract of Xinjiang Edukeys.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

c. Acquisition of Xinjiang Edukeys *(Continued)*

Net cash inflow on acquisition of Xinjiang Edukeys:

	RMB'000
Cash and cash equivalent balances acquired	16,731

Included in the loss for the year ended 31 December 2018 was a profit of RMB2,385,000 attributable to the additional business generated by Xinjiang Edukeys. Revenue for the year ended 31 December 2018 included RMB28,684,000 generated from Xinjiang Edukeys.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been RMB1,839,481,000, and loss for the year would have been RMB1,358,756,000. 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 2018, nor is it intended to be a projection of future results.

The acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2018.

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

d. Acquisition of Tiantai Culture

On 26 February 2018, the Group acquired 100% equity interest in Tiantai Culture, a company incorporated in Henan Province, the PRC, and its wholly owned subsidiary, namely Kaifeng Tiantai Commercial Hotel Limited* (開封天泰商務酒店有限公司) by (i) allotting and issuing 76,300,000 new shares, for consideration of HK$235,004,000 (equivalent to RMB190,377,000) and determined using the published price available at the date of the acquisition, (ii) consideration payable of RMB930,000. This acquisition had been accounted for using the acquisition method and regarded as a business combination due to the acquisition including the management team of Tiantai Culture with relevant construction and selling activities. Details of the acquisition were set out in the Company's announcements dated 6 February 2018 and 26 February 2018, respectively. Upon completion of the acquisition, the Group was entitled to obtain economic interest and benefits from the business activities of Tiantai Culture and enable the Group to diversify its business into a new business segment, i.e. properties development and sales business.

Pursuant to the acquisition agreement (the "**Tiantai Sale and Purchase Agreement**"), the seller of Tiantai Culture guaranteed to the Group that (i) the construction work of the complex owned by Tiantai Culture and its subsidiary shall be completed and be legally available for sale or rent within three years from the date of the Tiantai Sale and Purchase Agreement; and (ii) the aggregate amount of the revenue generated from sales of properties of the complex after tax for the three years ending on the third anniversary date of the Tiantai Sale and Purchase Agreement (prepared in accordance with the PRC GAAP) and the fair value of the leased properties of the complex as at the third anniversary date of the Tiantai Sale and Purchase Agreement shall not be less than RMB202,000,000.

* For identification purpose only

Consideration transferred:

	RMB'000
Consideration shares issued	190,377
Consideration payable	930
Total	191,307

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

d. Acquisition of Tiantai Culture *(Continued)*

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

	RMB'000
Property, plant and equipment	2,331
Trade and other receivables*	20,297
Bank balances	38
Property under development for sale**	258,958
Other payables	(62,387)
Other borrowings	(12,980)
Deferred tax liabilities	(14,950)
	191,307

* The fair value of trade and other receivables at the date of acquisition amounted to RMB20,297,000, which was 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.

** As at the date of acquisition, the Group intended to sell all the properties from acquisition in future.

Net cash inflow on acquisition of Tiantai Culture:

	RMB'000
Cash and cash equivalent balances acquired	38

Included in the loss for the year ended 31 December 2018 was a loss of RMB4,798,000 attributable to the additional business generated by Tiantai Culture. No revenue had been generated from Tiantai Culture for the year ended 31 December 2018.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been the same, and loss for the year would have been RMB1,361,169,000. The pro forma information was 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 2018, nor was it intended to be a projection of future results.

The acquisition-related costs had been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2018.

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

e. Acquisition of Jinlu Yuda

On 14 December 2018, the Group acquired another 70% equity interest in Jinlu Yuda at cash consideration of RMB8,200,000. Upon the completion of the acquisition, Jinlu Yuda became a subsidiary controlled by the Group. The acquisition was not regarded as business combination and was accounted for the purchase of assets and liabilities.

Consideration transferred:

	RMB'000
Cash consideration paid	8,200
Interest in an associate (20% equity interest in Jinlu Yuda)	1,600
	9,800

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

	RMB'000
Bank balances and cash	36
Other receivables	9
Amount due from immediate holding company	7,919
Property, plant and equipment	28
Other payables	(10)
	7,982

46. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

e. Acquisition of Jinlu Yuda *(Continued)*

Loss arising on acquisition:

	RMB'000
Consideration transferred	9,800
Add: non-controlling interests (10% in Jinlu Yuda)	798*
Less: net assets acquired	(7,982)
Loss arising on acquisition	2,616

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

Net cash outflow on acquisition of Jinlu Yuda:

	RMB'000
Cash consideration paid	8,200
Less: cash and cash equivalent balances acquired	(36)
	8,164

47. OPERATING LEASES

The Group as lessee

	2018 RMB'000
Minimum lease payments paid under operating leases during the year	35,785

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	17,321
In the second to fifth years inclusive	43,589
	60,910

Operating lease payments represented rental payable by the Group for certain office premises and land premises. Leases were negotiated for original terms of 1 to 2 years with fixed rental payment.

48. OTHER COMMITMENTS

	2019 **RMB'000**	2018 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	**67,149**	24,249
Capital expenditure in respect of investments in joint ventures		
– Contracted for but not provided in the consolidated financial statements	**367,086**	479,300

49. RELATED PARTY DISCLOSURES

Other than those transactions with related parties disclosed elsewhere in the consolidated financial statements, the remuneration of Directors and other members of key management for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018
	RMB'000	RMB'000
Short-term benefits	**17,441**	18,018
Post-employment benefits	**130**	43
	17,571	18,061

50. RETIREMENT BENEFIT PLAN

The employees of the Group are members of state-managed retirement benefit scheme operated by the PRC government or members of the Mandatory Provident Fund Scheme in Hong Kong, or members of the Central Provident Fund in Singapore. The 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.

51. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts (which include borrowings, lease liabilities, convertible bonds and non-trade related amounts due to joint ventures and an associate), net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

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.

52. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

		Carrying amount at 31 December	
		2019	2018
		RMB'000	RMB'000
Financial assets			
Security account balances	At amortised cost	**19,557**	17,326
Restricted bank balances	At amortised cost	**481,029**	625,263
Bank balances and cash	At amortised cost	**231,606**	302,966
Amounts due from joint ventures	At amortised cost	**256,527**	40,259
Trade and other receivables*	At amortised cost	**969,482**	992,689
Loan and interest receivables	At amortised cost	**95,055**	1,144,886
Financial assets measured at FVTPL	FVTPL	**960,702**	2,631,330
Financial liabilities			
Trade and other payables**	At amortised cost	**1,192,458**	1,484,121
Amounts due to joint ventures	At amortised cost	**–**	77,049
Amount due to an associate	At amortised cost	**–**	2,499
Borrowings – due within one year	At amortised cost	**1,236,845**	1,984,965
Borrowings – due after one year	At amortised cost	**572,960**	1,066,423
Convertible bonds	At amortised cost	**721,925**	687,418
Long term payables	At amortised cost	**31,728**	23,086
Embedded derivative components of the convertible bonds	FVTPL	**–**	13,373
Contingent consideration payables	FVTPL	**61,647**	116,888

* Excluded advances to suppliers and value-added tax recoverable.

** Excluded payroll and welfare payables, other tax payables, other accruals and advance received in respect of transfer of equity interest in FC Yunnan.

52. FINANCIAL INSTRUMENTS *(Continued)*

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 borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loan receivables, certain fixed-rate borrowings and fixed-rate lease liabilities. It is the Group's policies to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

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

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 2019 would have decreased/increased by approximately RMB585,000 (2018: RMB752,000).

If interest rate of variable-rate borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2019 would have increased/decreased by approximately RMB22,000 (2018: RMB31,000).

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.

52. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

(ii) Currency risk

The Group hold monetary assets or liabilities denominated in foreign currencies, which can be affected by currency fluctuations and expose to 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:

	31.12.2019	31.12.2018
	RMB'000	RMB'000
Bank balances	**3,878**	14,245
Security account balances	**7,983**	15,915
Loan and interest receivables	**29,348**	–
Amount due from fellow subsidiaries	**2,554,720**	586,220
Borrowings	**(28,616)**	(638,388)

Based on the above net exposures, and assuming that all other variables remain constant at year end, a 5% (2018: 5%) appreciation/depreciation of the functional currency of respective group entities against foreign currencies would result in a increase/decrease in the Group's loss for the year of approximately RMB107,185,000 for the year ended 31 December 2019 (2018: decrease/increase of RMB919,000 in the Group's loss for the year). 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.

52. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

(iii) Other price risk

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

Sensitivity analysis

- If the share prices of financial assets measured at FVTPL had been 5% (2018: 5%) higher/lower, post-tax loss for the year ended 31 December 2019 would have decreased/increased by RMB38,741,000 (2018: RMB88,155,000).

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.

c. Credit risk and impairment assessment

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. At 31 December 2019, under the automotive parts business, the Group had concentration of credit risk on trade receivables as 57.6% (2018: 34.2%) of total trade receivables were due from top 10 customers. Among which, the balance of the top 1 customer accounts for 15.3% (2018: 10.1%) of total trade receivables.

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 as at 31 December 2019 and 2018.

The Group applied ECL model to consider the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis.

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers and loan and interest receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables and loan and interest receivables individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bills receivables arising from contracts with customers

The credit risks on bills receivables are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other receivables/amounts due from joint ventures/security account balances/restricted bank balances/bank balances and cash

For other receivables and amounts due from joint ventures, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. The Group provided (net of reversal) RMB39,216,000 (2018: nil) and RMB13,532,000 (2018: nil) of impairment allowance on other receivables and amounts due from joint ventures, respectively, during the current year.

The credit risks on security account balances, restricted bank balances and bank balances and cash are limited because the counterparties are banks/financial institutions with high credit ratings assigned by credit-rating agencies.

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables/ bills receivables/ loan and interest receivables**	**Financial assets other than trade receivables/ bills receivables/loan and interest receivables**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12-month or lifetime	Carrying amount at 31 December 2019 before ECL RMB'000	Carrying amount at 31 December 2019 after ECL RMB'000
As at 31 December 2019					
Financial assets at amortised costs					
Pledged bank deposits*	AA	N/A	12-month ECL	500,586	500,586
Bank balances	AA+	N/A	12-month ECL	230,759	230,759
Amounts due from joint ventures	N/A	N/A	12-month ECL	270,059	256,527
Bill receivables	from AA- to AAA	N/A	Lifetime ECL (not credit impaired)	194,690	194,690
Other receivables	N/A	Low risk	12m ECL (not credit impaired)	279,456	279,324
		Watch list	12m ECL (not credit impaired)	135,127	110,149
		Loss	Credit-impaired	14,106	–
				428,689	389,473
Trade receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	224,904	224,376
		Watch list	Lifetime ECL (not credit impaired)	47,554	46,048
		Doubtful	Lifetime ECL (not credit impaired)	121,149	114,895
		Loss	Credit-impaired	41,766	–
				435,373	385,319
Loan and interest receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	33,019	31,475
		Watch list	Lifetime ECL (not credit impaired)	69,182	63,580
		Loss	Credit-impaired	161,416	–
				263,617	95,055

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment: (Continued)

	External credit rating	Internal credit rating	12-month or lifetime	Carrying amount before ECL RMB'000	Carrying amount after ECL RMB'000
As at 31 December 2018					
Financial assets at amortised costs					
Pledged bank deposits*	AA	N/A	12-month ECL	642,589	642,589
Bank balances	AA+	N/A	12-month ECL	296,713	296,713
Amounts due from joint ventures	N/A	N/A	12-month ECL	40,259	40,259
Other receivables	N/A	Low risk	12m ECL (not credit impaired)	210,012	210,012
Bill receivables	from AA- to AAA	N/A	Lifetime ECL (not credit impaired)	254,753	254,753
Trade receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	417,829	417,470
		Watch list	Lifetime ECL (not credit impaired)	26,060	23,897
		Doubtful	Lifetime ECL (not credit impaired)	96,916	86,557
		Loss	Credit-impaired	4,653	–
				545,458	527,924
Loan and interest receivables	N/A	Watch list	Lifetime ECL (not credit impaired)	1,137,436	1,104,571
		Doubtful	Lifetime ECL (not credit impaired)	4,748	4,239
		Loss	Credit-impaired	59,922	36,076
				1,202,106	1,144,886

* Pledged bank deposits include security account balances/restricted bank balances.

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

Gross carrying amount

Internal credit rating	2019 Average loss rate	2019 Trade receivables RMB'000	2019 ECL RMB'000	2018 Average loss rate	2018 Trade receivables RMB'000	2018 ECL RMB'000
Low risk	**0.23%**	**224,904**	**528**	0.09%	417,829	359
Watch list	**3.17%**	**47,554**	**1,506**	8.30%	26,060	2,163
Doubtful	**5.16%**	**121,149**	**6,254**	10.69%	96,916	10,359
Loss	**100.00%**	**41,766**	**41,766**	100.00%	4,653	4,653
		435,373	**50,054**		545,458	17,534

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The rating is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised on trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 1 January 2018	13,451	–	13,451
– Impairment losses recognised	–	4,653	4,653
– Impairment losses reversed	(570)	–	(570)
At 31 December 2018	12,881	4,653	17,534
– Transfer to credit impaired	(1,215)	1,215	–
– Impairment losses recognised	5,218	35,898	41,116
– Impairment losses reversed	(8,596)	–	(8,596)
At 31 December 2019	8,288	41,766	50,054

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Gross carrying amount

Internal credit rating	**2019** Average loss rate	**2019** Loan and interest receivables RMB'000	**2019** ECL RMB'000	2018 Average loss rate	2018 Loan and interest receivables RMB'000	2018 ECL RMB'000
Low risk	**4.68%**	**33,019**	**1,544**	–	–	–
Watch list	**8.10%**	**69,182**	**5,602**	2.89%	1,137,436	32,865
Doubtful	**–**	**–**	**–**	10.72%	4,748	509
Loss	**100.00%**	**161,416**	**161,416**	39.80%	59,922	23,846
		263,617	**168,562**		1,202,106	57,220

The following table shows the movement in lifetime ECL that has been recognised on loan receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2018			
Changes due to financial instruments recognised as at 1 January 2018:			
– Impairment losses recognised	33,374	23,846	57,220
At 31 December 2018	33,374	23,846	57,220
– Transfer to credit impaired	(2,841)	2,841	–
– Impairment losses recognised	5,980	134,729	140,709
– Impairment losses reversed	(29,040)	–	(29,040)
– Exchange realignment	(327)	–	(327)
At 31 December 2019	7,146	161,416	168,562

52. FINANCIAL INSTRUMENTS *(Continued)*

c. Credit risk and impairment assessment *(Continued)*

The Group writes off a loan receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows movement in ECL that has been recognised on other receivables.

	12m ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 1 January 2018 and 31 December 2018	–	–	–
– Impairment losses recognised	25,110	14,106	39,216
At 31 December 2019	25,110	14,106	39,216

d. Liquidity risk

As of 31 December 2019, the Group recorded net current liabilities of RMB717,633,000.

The Group monitors its risk to a shortage of funds using periodic cash flow projections. The projections consider the maturity of both its financial instruments (e.g., trade and bill receivables, loan and interest receivables and amounts due from joint ventures), projected cash flows from operations, and the realisation of available financial assets measured at the fair value through profit or loss.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible bonds, and other fund raising activities in the capital market. The Group has detailed operating plans for future development and will also consider arranging necessary financing through fund raising activities in the capital market. 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.

52. FINANCIAL INSTRUMENTS *(Continued)*

d. Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 3 months or on demand RMB'000	3 months to 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019								
Trade and other payables (Note)	**N/A**	**1,192,316**	**85**	**72**	**90**	**–**	**1,192,563**	**1,192,458**
Borrowings	**10.73**	**420,134**	**869,824**	**260,405**	**210,977**	**135,928**	**1,897,268**	**1,809,805**
Long-term payables	**4.9**	**–**	**3,460**	**3,220**	**14,740**	**11,764**	**33,184**	**31,728**
Convertible bond	**N/A**	**721,925**	**–**	**–**	**–**	**–**	**721,925**	**721,925**
Lease liabilities	**2.33**	**4,031**	**11,515**	**8,911**	**3,774**	**23,327**	**51,558**	**36,105**
Contingent consideration payables	**N/A**	**–**	**–**	**–**	**61,647**	**–**	**61,647**	**61,647**
		2,338,406	**884,884**	**272,608**	**291,228**	**171,019**	**3,958,145**	**3,853,668**
As at 31 December 2018								
Amount due to an associate	N/A	2,499	–	–	–	–	2,499	2,499
Trade and other payables (Note)	N/A	1,483,884	30	85	161	1	1,484,161	1,484,121
Borrowings	9.41	870,722	1,211,800	687,236	376,203	162,322	3,308,283	3,051,388
Long-term payables	4.9	–	2,390	2,200	7,806	17,014	29,410	23,086
Amounts due to a joint venture	N/A	77,049	–	–	–	–	77,049	77,049
Convertible bond	10.4	–	726,314	–	–	–	726,314	687,418
Embedded derivative components of convertible bonds	N/A	–	13,373	–	–	–	13,373	13,373
Contingent consideration payables	5.17	18,887	47,374	57,001	–	–	123,262	116,888
		2,453,041	2,001,281	746,522	384,170	179,337	5,764,351	5,455,822

Note: Other payables to employees included in trade and other payables are discounted at effective interest rate of 3.6% (2018: 3.6%) per annum.

52. FINANCIAL INSTRUMENTS *(Continued)*

d. Liquidity risk *(Continued)*

The table below summarises the maturity analysis of bank borrowings which breached covenants that were subject to a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using the variable rates. As a result, these amounts are greater than the amounts disclosed in the "on demand or within 3 months" time band in the maturity analysis above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – Borrowings subject to a repayment on demand clause based on scheduled repayments						
	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019	2,345	7,086	9,405	229,405	–	248,241	220,000

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, contingent consideration payables and embedded derivative components of convertible bonds 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 and Level 2 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).

52. FINANCIAL INSTRUMENTS *(Continued)*

e. Fair value *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis *(Continued)*

Fair value hierarchy as at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets measured at FVTPL				
– listed securities	557,291	–	–	557,291
– equity investments				
(Quoted bid prices in an active market)	4,971	–	–	4,971
– financial product				
(Quoted by the financial institution)	–	45,600	–	45,600
– equity investments				
(Quoted by the fund manager)	–	78,066	–	78,066
– equity investments (unlisted company)	–	–	274,774	274,774
Contingent consideration payables	–	(61,647)	–	(61,647)

Fair value hierarchy as at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets measured at FVTPL				
– listed securities	2,066,477	–	–	2,066,477
– equity investments				
(Quoted bid prices in an active market)	97,411	–	–	97,411
– financial product				
(Quoted by the financial institution)	–	6,535	–	6,535
– equity investments				
(Quoted by the fund manager)	–	136,960	–	136,960
– equity investments (unlisted company)	–	–	323,947	323,947
Embedded derivative components				
of convertible bonds	–	–	(13,373)	(13,373)
Contingent consideration payables	–	–	(116,888)	(116,888)

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

52. FINANCIAL INSTRUMENTS *(Continued)*

e. Fair value *(Continued)*

Financial assets/ financial liabilities	Fair value as at 31/12/2019 RMB'000	Fair value as at 31/12/2018 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial assets measured at FVTPL – listed securities	**557,291**	2,066,477	Level 1	Quoted bid prices in an active market.	N/A
Financial assets measured at FVTPL – equity investments	**4,971**	97,411	Level 1	Quoted bid prices in an active market.	N/A
Financial assets measured at FVTPL – financial product	**45,600**	6,535	Level 2	Quoted prices form the financial institution with reference to the fair value of actual investment portfolio underlying in the financial product	N/A
Financial assets measured at FVTPL – equity investments	**78,066**	136,960	Level 2	Quoted prices from the fund manager by reviewing the underlying invested listed share prices excluded relevant expenses	N/A
Financial assets measured at FVTPL – equity investments (unlisted company)	**274,774**	323,947	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments.	P/E Multiple of 30.92; P/S Multiple of 3.33 (2018: P/E Multiple of 33.57; P/S Multiple of 1.96)
Embedded derivative components of the Convertible Bonds classified as financial liabilities at FVTPL	**N/A**	(13,373)	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 components is the difference between the fair value of the Convertible Bonds and the fair value of the liability component of Convertible Bonds, 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 in the year of 2018 include term to maturity of 1 year, risk-free rate of 1.89%, spot price as of the valuation date of HK$4.45, exercise price of HK$3.27 and expected volatility of 69.18%.	Expected volatility of stock price

52. FINANCIAL INSTRUMENTS *(Continued)*

e. Fair value *(Continued)*

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	31/12/2019 RMB'000	31/12/2018 RMB'000			
Contingent consideration payables	**(61,647)**	(116,888)	Level 2 (2018: Level 3)	As at 31 December 2019: FC Wenton: Discounted cash flow model was used to capture the present value of the cash out flows of the Group arising from the contingent consideration, based on the initial paid-in capital contribution of RMB32,548,000, fixed return of 8% per annum over paid-in capital and the net payable borne by the Group.	N/A
				As at 31 December 2018: Xishan Schools: Discounted cash flow model 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 15.74% for Xishan Schools, long-term sustainable growth rate of 3% and risk-free rate of 2.66% are used in the model. Xinjiang Edukeys: Black-Scholes-Merton Option Pricing model were used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, risk-free rate of 1.81%, expected volatility of 47% and stock price as at date of valuation of HK$4.45 are used in the model.	N/A

There were no transfers between the level 1 and level 2 of the fair value hierarchy for the year.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

52. FINANCIAL INSTRUMENTS *(Continued)*

e. Fair value *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets measured at FVTPL equity investments	**Embedded derivatives components of convertible bonds**	**Contingent consideration payables**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	(6,945)	(29,923)	(36,868)
Addition	332,131	–	–	332,131
Arising from acquisition of businesses	–	–	(86,314)	(86,314)
Fair value loss recognised in profit or loss	(8,184)	(5,865)	(251)	(14,300)
Exchange realignment	–	(563)	(400)	(963)
At 31 December 2018	323,947	(13,373)	(116,888)	193,686
Addition	6,890	–	–	6,890
Fair value (loss) gain recognised in profit or loss	(56,063)	13,373	70,794	28,104
Transfer to other payable	–	–	13,666	13,666
Obligation discharged	–	–	32,421	32,421
Exchange realignment	–	–	7	7
At 31 December 2019	274,774	–	–	274,774

53. NON-CASH TRANSACTIONS

Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into following non-cash transaction during the year:

For the year ended 31 December 2019

a. The Company waived an amount of RMB34,120,000 of other receivables by entering with an agreement with the shareholder of Tiantai Culture on 20 December 2019 and a corresponding amount of loss was recognised. In the opinion of the directors of the Company, the counterparty is not regarded as a related party to the Group.

b. During the year ended 31 December 2019, certain subsidiaries of the Company entered several agreements with a joint venture, Zhuhai Education to set off balances due to Zhuhai Education and certain borrowings with corresponding balances due from Zhuhai Education for an aggregate amount of RMB262,480,000, comprising (i) RMB50,393,000 included in "Amounts due from joint ventures" was set off by "Amounts due to joint ventures", (ii) RMB212,087,000 included in "Borrowings", being aggregate amount of principal amounted to RMB200,000,000 and accrued interests of RMB12,087,000, was set off by "Amounts due from joint ventures".

c. In November 2019, 100,000,000 shares of VIRSCEND EDU were assigned by the Group to an independent third party (the "**Lender**") for settlement of loans advanced by the Lender. The Lender disposed of 89,150,000 shares at consideration of RMB114,174,000. After deducting the stamp duty of RMB383,000, part of net proceed amounting to RMB113,367,000 was used to repay loan principal net proceed of RMB112,198,000 together with accrued interests of RMB1,169,000, the remaining balance of RMB424,000 and carrying amount of 10,850,000 shares of VIRSCEND EDU of RMB17,883,000 were presented as "Consideration receivable from disposal of financial assets measured at FVTPL" included in "other receivables" as at 31 December 2019 and the receivable was settled in January 2020.

For the year ended 31 December 2018

d. During the year ended 31 December 2018, other receivables from a third party of RMB90,000,000 was to set off with the payables to the non-controlling shareholders of Xishan Schools and consideration payables for acquisition of businesses to the non-controlling shareholders of Xishan Schools of RMB40,000,000 and RMB50,000,000, respectively, as agreed among the parties.

e. During the year ended 31 December 2018, the advance received in respect of capital injection in Guang Da (China) Automotive Components Holding Limited amounting to approximately RMB38,454,000 had been transferred to equity upon completion of the transaction.

f. During the year ended 31 December 2018, an amount of RMB39,666,000 due from the joint venture was set off with a corresponding amount of payable to the same party upon entering into an agreement.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

54. PARTICULARS OF SUBSIDIARIES

As 31 December 2019, 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/registered capital	Effective equity interest attributable to the Group 2019	2018	Principal activities	Legal form
Beijing Edukeys International Management Consulting Company Limited* 北京中際育才國際管理顧問有限公司	PRC 23 May 2008	RMB3,000,000	**100%**	100%	Education service	Domestic limited Liability company
Beijing Edukeys Yingcai International Management Consulting Company Limited* 北京中際英才國際管理顧問有限公司	PRC 16 June 2017	RMB2,000,000	**100%**	100%	Education service	Domestic limited Liability company
FC Yunnan	PRC 01 July 2016	RMB100,000,000	**N/A##**	70%	Educational investment	Domestic limited liability company
First Capital Finance Limited 首控金融信貸有限公司	Hong Kong 29 January 2015	HK$10,000,000	**100%**	100%	Credit financing	Private limited liability company
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	Domestic limited liability company
First Capital Financial Group Limited 首控金融集團有限公司	BVI 28 November 2012	US$1	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
First Capital International Investments Holdings Limited 首控國際投資控股有限公司	Hong Kong 23 September 2015	HK$100,000,000	**100%**	100%	Investment holding	Private limited liability company
First Capital Securities Limited 首控證券有限公司	Hong Kong 23 July 2015	HK$300,000,000	**100%**	100%	Dealing and underwriting in securities	Private limited liability company
Fuqing Guowen Education Management Company Limited* 福清市國文教育管理有限公司	PRC 04 May 2016	RMB2,600,000	**53.3%**	58.3%	Investment holding	Domestic limited liability company

54. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/registered capital	Effective equity interest attributable to the Group 2019	2018	Principal activities	Legal form
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	**53.3%**	58.3%	Educational services	Non-enterprise entity
Fuzhou WOFE	PRC 28 July 2016	HK$2,000,000	**53.3%**	58.3%	Educational consulting	Foreign invested limited liability company
Fuzhou Xishan Education Management Company Limited* 福州市西山教育管理有限公司	PRC 19 April 2016	RMB5,000,000	**53.3%**	58.3%	Investment holding	Domestic limited liability company
Guang Da (China) Automotive Components Holdings Limited 光大(中國)車輛零部件控股有限公司	Hong Kong 14 June 2010	HK$92,001,000	**74%**	74%	Investment holding	Private limited liability company
Jinan Shijiyinghua Experiment School* ("**Shijiyinghua School**") 濟南世紀英華實驗學校	PRC 30 August 2003	RMB10,000,000	**51%**	51%	Educational services	Non-enterprise entity
Jingxian Xishan Education Management Company Limited* 旌賢縣西山教育管理有限公司	PRC 04 May 2016	RMB2,500,000	**53.3%**	58.3%	Investment holding	Domestic limited liability company
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	**53.3%**	58.3%	Educational services	Non-enterprise entity
Kaifeng Tiantai Business Hotel Limited* 開封天泰商務酒店有限公司	PRC 9 July 2012	RMB25,000,000	**N/A##**	100%	Property development	Domestic limited liability company

54. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/registered capital	Effective equity interest attributable to the Group 2019	2018	Principal activities	Legal form
Kaifeng Tiantai Culture Media Limited* ("**Tiantai Culture**") 開封天泰文化傳媒有限公司	PRC 27 August 2009	RMB318,000,000	**N/A##**	100%	Property development	Domestic limited liability company
Nanyang Cijan Automobile Absorber Company Limited* ("**Nanyang Cijan**") 南陽淅減汽車減振器有限公司	PRC 23 June 2005	HK$320,000,000	**51.8%**	51.8%	Research, development and manufacture of automobile shock absorber and suspension system products	Foreign invested limited liability company
Nanyang Way Assuato Automobile Absorber Company Limited* 南陽威奧斯圖車輛減振器有限責任公司	PRC 24 March 2016	RMB20,000,000	**51%**	51%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Ordos Cijan Auto Shock Absorber Company Limited* 鄂爾多斯市淅減汽車減振器有限公司	PRC 14 August 2012	RMB10,000,000	**100%**	100%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Shenzhen First Capital International Business consulting Limited* 深圳首控國際商務咨詢有限公司	PRC 22 April 2015	HK$50,000,000	**100%**	100%	Immigration consulting business	Foreign invested Limited liability company
Shenzhen Qianhai First Capital Financial Leasing Company Limited* 深圳前海首控融資租賃有限公司	PRC 27 August 2015	US$30,000,000	**100%**	100%	Investment holding	Foreign invested limited liability company

54. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/registered capital	Effective equity interest attributable to the Group 2019	2018	Principal activities	Legal form
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	Domestic limited liability company
Sichuan Yujiage Hotel Management Company Limited* 四川裕嘉閣酒店管理有限公司	PRC 01 August 2012	RMB120,000,000	**100%**	100%	Investment holding	Domestic limited liability company
Topford Vast International Co., Ltd.	BVI 19 July 2016	US$50,000	**53.3%**	58.3%	Investment holding	Private limited liability company
Way Assauto Srl 意大利威奧斯圖	Italy 21 June 2011	Euro 110,000	**100%**	100%	Research, development of automobile shock absorber products	Private limited liability company
Xinjiang Edukeys International Education Services Co., Ltd.* ("**Xinjiang Edukeys**") 新疆中際育才教育諮詢有限公司	PRC 29 November 2016	RMB5,000,000	**100%**	100%	Education service	Domestic limited Liability company
Zhuhai First Capital Huijing Equity Investment Fund (Limited Partnership) ("**Zhuhai Huijing**") 珠海首控匯錦股權投資基金合夥企業(有限合夥)	PRC 13 June 2017	RMB100,000,000	**17.5%#**	17.5%#	Capital Investment	Limited partnership

* For identification purposes only.

\# The Group is able to control the board of directors of the entity.

\## Entities were disposed of during the year ended 31 December 2019 (Notes 46a and 46b).

None of the above subsidiaries had issued any debt securities during the years or at the end of reporting period.

Except for the subsidiaries registered in BVI, whose mainly operation places are in Hong Kong, the remaining entities' mainly operation places are the same as their registration places.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

55. 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 incorporation/ establishment and principal place of business	Proportion of ownership and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2019	31.12.2018	**2019**	2018	**31.12.2019**	31.12.2018
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Nanyang Cijan	PRC	**48.2%**	48.2%	**(60,364)**	34,979	**125,750**	182,270
Jinan Baofei*	PRC	**49%**	49%	**(5,688)**	7,707	**60,121**	65,809
Xishan Education*	PRC	**46.7%**	41.7%	**(10,039)**	5,907	**109,074**	114,515
Zhuhai Huijing	PRC	**17.5%**	17.5%	**–#**	–#	**82,493**	82,494
Individually immaterial subsidiaries with non-controlling interests				**6,721**	(18,151)	**19,903**	132,035
Total				**(69,370)**	30,442	**397,341**	577,123

* They are the consolidated affiliated entities.

\# The amount is less than RMB1,000.

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		Zhuhai Huijing	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**997,484**	1,076,405	**71,825**	82,963	**224,148**	267,581	**99,992**	99,993
Non-current assets	**848,557**	811,792	**231,074**	200,866	**721,184**	713,504	**–**	–
Current liabilities	**1,474,504**	1,434,216	**200,347**	177,003	**594,871**	594,767	**–**	–
Non-current liabilities	**103,099**	48,848	**29,226**	21,868	**235,906**	279,300	**–**	–
Equity attributable to owners of the Company	**142,688**	222,863	**13,205**	19,149	**5,481**	(7,497)	**17,499**	17,499
Non-controlling interests	**125,750**	182,270	**60,121**	65,809	**109,074**	114,515	**82,493**	82,494

55. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	Nanyang Cijan Year ended 31 December		Jinan Baofei Year ended 31 December		Xishan Education Year ended 31 December		Zhuhai Huijin Year ended 31 December	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**917,806**	1,353,866	**83,503**	71,240	**251,912**	179,604	**–**	–
(Loss) profit for the year	**(135,715)**	58,029	**(11,632)**	15,728	**(24,886)**	(11,283)	**(1)**	(2)
(Loss) profit attributable to								
– owners of the Company	**(75,351)**	23,050	**(5,944)**	8,021	**(14,847)**	(17,190)	**–***	(2)
– non-controlling interests	**(60,364)**	34,979	**(5,688)**	7,707	**(10,039)**	5,907	**–***	–*
Other comprehensive income attributable to								
– owners of the Company	**(4,824)**	(1,314)	**–**	–	**4**	15	**–**	–
– non-controlling interests	**3,844**	(21,322)	**–**	(3,339)	**4,598**	(3,313)	**–**	–
Total comprehensive (expenses) income attributable to								
– owners of the Company	**(80,175)**	21,736	**(5,944)**	8,021	**(14,843)**	(17,175)	**–***	(2)
– non-controlling interests	**(56,520)**	13,657	**(5,688)**	4,368	**(5,441)**	2,594	**–***	–*

* The amount is less than RMB1,000.

56. COMPARATIVE FIGURES

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

57. 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 report for the year ended 31 December 2011.

During the years ended 31 December 2019 and 2018, no share options were granted under the Scheme by the Company. In addition, as at 31 December 2019 and 2018, no share options under the Scheme were outstanding.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

58. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amounts due to joint ventures	Borrowings	Convertible bonds including embedded derivative components	Amount due to an associate	Other payables	Lease liabilities	Long term payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	103,270	2,961,468	641,094	2,425	88,485	–	27,496	3,824,238
Financing cash flows	(26,221)	(81,205)	(47,353)	74	41,954	–	(5,556)	(118,307)
Non-cash changes								
Finance cost recognised (Note 12)	–	165,229	69,211	–	4	–	1,146	235,590
Transfer	–	–	–	–	(38,454)	–	–	(38,454)
Arising from business acquisition	–	12,980	–	–	–	–	–	12,980
Fair value changes of Embedded derivative Component of Convertible bonds	–	–	5,865	–	–	–	–	5,865
Offsetting arrangement	–	(39,666)	–	–	(40,000)	–	–	(79,666)
Exchange realignment	–	32,582	31,974	–	–	–	–	64,556
At 31 December 2018	77,049	3,051,388	700,791	2,499	51,989	–	23,086	3,906,802
Adjustment upon application of HKFRS 16	–	–	–	–	–	39,687	–	39,687
Financing cash flows	(26,656)	(1,094,703)	(55,298)	–	(20,283)	(14,444)	6,747	(1,204,637)
Non-cash changes								
Finance cost recognised (Note 12)	–	188,553	74,177	–	15	840	1,895	265,480
Arising from disposal of Tiantai Culture (Note 46a)	–	(9,979)	–	–	–	–	–	(9,979)
Fair value changes of Embedded derivative Component of convertible bonds	–	–	(13,373)	–	–	–	–	(13,373)
Reclassified to other payable (Note 21)	–	–	–	(2,499)	–	–	–	(2,499)
New leases entered	–	–	–	–	–	16,109	–	16,109
Early termination of leases	–	–	–	–	–	(7,881)	–	(7,881)
Offsetting arrangement (Note 53)	(50,393)	(325,454)	–	–	–	–	–	(375,847)
Exchange realignment	–	–	15,628	–	–	1,794	–	17,422
At 31 December 2019	–	1,809,805	721,925	–	31,721	36,105	31,728	2,631,284

59. FINANCIAL INFORMATION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	225	1,143
Right-use-of assets	1,946	–
Interests in subsidiaries	334,142	1,068,015
Interests in joint ventures	87,016	298,815
Amounts due from subsidiaries (Note a)	942,740	2,664,452
Amount due from a joint venture	9,344	–
	1,375,413	4,032,425
CURRENT ASSETS		
Financial assets measured at FVTPL	368,561	1,680,648
Other receivables	139,289	16,118
Loan and interest receivables	–	466,508
Security account balances	19,488	17,275
Restricted bank balances	–	–
Bank balances and cash	5,696	5,821
	533,034	2,186,370
TOTAL ASSETS	1,908,447	6,218,795
CURRENT LIABILITIES		
Other payables	18,665	74,135
Borrowings – due within one year	622,473	1,204,170
Convertible bonds	721,925	687,418
Embedded derivative components of convertible bonds	–	13,373
Amounts due to subsidiaries	154,405	23,690
Amounts due to joint ventures	–	11,199
Lease liabilities	1,464	–
	1,518,932	2,013,985
TOTAL ASSETS LESS CURRENT LIABILITIES	389,515	4,204,810
NON-CURRENT LIABILITIES		
Borrowings – due after one year	373,266	673,646
Lease liabilities	515	–
	373,781	673,646
NET ASSETS	15,734	3,531,164
OWNER'S EQUITY		
Share capital	84,283	84,283
Reserves (Note b)	(68,549)	3,446,881
TOTAL OWNER'S EQUITY	15,734	3,531,164

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 December 2019

59. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

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 during the year are set out as below:

	Share premium RMB'000	**Translation reserve** RMB'000	**AFS reserve** RMB'000	**Retained earnings (Accumulated losses)** RMB'000	**Total** RMB'000
At 1 January 2018	3,237,643	(127,612)	8,192	77,628	3,195,851
Loss for the year	–	–	–	(655,597)	(655,597)
Exchange difference arising on translation to presentation currency	–	107,790	–	–	107,790
Total comprehensive income (expense) for the year	–	107,790	–	(655,597)	(547,807)
Transfer	–	–	(8,192)	8,192	–
Issue of new shares	798,837	–	–	–	798,837
At 31 December 2018	4,036,480	(19,822)	–	(569,777)	3,446,881
Loss for the year	–	–	–	(3,640,558)	(3,640,558)
Exchange difference arising on translation to presentation currency	–	125,128	–	–	125,128
Total comprehensive income (expense) for the year	–	125,128	–	(3,640,558)	(3,515,430)
At 31 December 2019	4,036,480	105,306	–	(4,210,335)	(68,549)

60. EVENTS AFTER REPORTING PERIOD

a. The outbreak of coronavirus disease (the "**COVID-19**") and the subsequent quarantine measures as well as travel restrictions imposed by many countries have had a severe negative impact on the operations of the Group, as most of the Group's operations are located in the Mainland China.

   In addition, the operations of certain of the Group's customers and joint ventures are also located in the Mainland China, the outbreak of the COVID-19 is expected to have negative effect to these counterparties and joint ventures in different aspects, which in turn, may have negative impacts on the recoverability of the Group's trade receivables, loan and interest receivables and other items that are subject to ECL assessment and also the carrying amounts of the Group's joint ventures.

   Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company considered that the financial effect on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but will be reflected in the Group's consolidated financial statements in future.

b. On 5 February 2020, the Group entered into an agreement with an independent third party ("**Purchaser A**"), pursuant to which, the Group has conditionally agreed to sell and Purchaser A has conditionally agreed to purchase the entire interest in GSV Fund at a consideration of approximately US$18.3 million. Upon completion of the disposal in February 2020, the Group would not hold any interest in GSV Fund. Details of the agreement of intent is set out in the announcement dated 5 February 2020. Up to the date of approval of these consolidated financial statements, the Group has received the proceeds from Purchaser A and the transaction has been completed.

c. On 19 February 2020, the Group entered into an agreement with independent third parties ("**Purchaser B**"), pursuant to which the Group has conditionally agreed to sell and Purchaser B have conditionally agreed to purchase the 55% equity interest in Stirling Coleman with consideration amounting to approximately RMB21,125,000. Upon completion of the Disposal in February 2020, the Group would loss control of Stirling Coleman and Stirling Coleman is ceased to be a subsidiary of the Company.

d. The Company received a statutory demand (the "**Statutory Demand**") dated 21 February 2020 issued by the legal representative of Champion Sense Global Limited demanding the Company to repay the amount of HK$823,014,000 (equivalent to approximately RMB716,624,000), being the principal amount of the Convertible Bonds together with interest accrued thereon. Details of the Statutory Demand are set out in the announcement dated 4 March 2020. As at the date of approval of these consolidated financial statements, the Company is in negotiation with the bondholder to restructure the repayment terms of the Convertible Bonds.

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:

"2019 Financial Year"	the financial year ended 31 December 2019
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"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
"Co-CEO(s)" or "Co-Chief Executive Officer(s)"	the co-chief executive officer(s) of the Company
"Company" or "CFCG"	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 1269
"Company Secretary"	the company secretary of the Company
"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
"Edukeys Group"	Xinjiang Edukeys and its subsidiaries
"EGM"	the extraordinary general meeting of the Company
"FC Asset Management"	First Capital Asset Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"FC Financial Group"	First Capital Financial Group Limited, a company incorporated in BVI with limited liability and a direct 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 Securities"	First Capital Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Fuqing Xishan"	Fuqing Xishan School* (福清西山學校)
"FVTPL"	fair value through profit or loss
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

Glossary *(Continued)*

"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
"Jiangxi Xishan"	Jiangxi Xishan School* (江西省西山學校)
"K-12"	from kindergarten through twelfth grade, including kindergarten, elementary school, middle school and high school
"KSI Education"	KSI Education Ltd, a company incorporated in the United Kingdom with limited liability and a joint venture of the Company
"Latest Practicable Date"	7 May 2020, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Listing Date"	23 November 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanyang Cijan"	Nanyang Cijan Auto Absorber Co., Ltd.* (南陽淅減汽車減振器有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company
"Nomination Committee"	the nomination committee of the Company
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Committee"	the risk management committee of the Company

"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX"	Singapore Exchange Limited
"Shareholder(s)"	the holder(s) of the Share(s)
"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(s)"	(i) the ordinary share(s) of HK$0.10 each in the issued and unissued share capital of the Company prior to 28 February 2017, or (ii) the subdivided ordinary share(s) of HK$0.02 each in the issued and unissued share capital of the Company with effect from 28 February 2017, as the case may be
"Share Subdivision"	the subdivision of each of the issued and unissued shares of HK$0.10 each in the share capital of the Company into five shares of HK$0.02 each with effect from 28 February 2017
"Singapore"	the Republic of Singapore
"SSE"	Shanghai Stock Exchange
"STEAM"	Science, Technology, Engineering, Art and Mathematics
"Stirling Coleman"	Stirling Coleman Capital Limited, a company incorporated in Singapore with limited liability and an indirect subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"SZSE"	Shenzhen Stock Exchange
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America

Glossary *(Continued)*

"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, the Chairman and an executive Director
"Xinjiang Edukeys"	Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Xishan Schools"	collectively, Fuqing Xishan, Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan and Xishan Education Group* (西山教育集團)
"Yinghua School"	Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)
"%"	per cent

* *For identification purpose only*

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中國首控集團有限公司

China First Capital Group Limited