



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

2020

ANNUAL REPORT





The Core Cultural
Concepts of CFCG





About CFCG

China First Capital Group Limited is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in financial services business, which can provide 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 established a trinitarians interactive business mode, which capitalises on educational operations as bases and educational management and financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education".





Contents

4	Corporate Information
6	Financial Summary
10	Chairman's Statement
14	Management Discussion and Analysis
36	Profiles of Directors and Senior Management
44	Directors' Report
68	Corporate Governance Report
82	Independent Auditor's Report
85	Consolidated Statement of Profit or Loss and Other Comprehensive Income
86	Consolidated Statement of Financial Position
89	Consolidated Statement of Changes in Equity
92	Consolidated Statement of Cash Flows
94	Notes to the Consolidated Financial Statements
228	Glossary

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

Linksfield CPA Limited
Registered Public Interest Entity Auditors

[#] with effect from 17 February 2020

Corporate Information (Continued)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS
IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS
IN THE PRC

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

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

HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE

Tricor Investor Services Limited
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>

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				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	1,361,213	1,436,037	1,810,797	1,865,247	1,474,059
Cost of sales/services	(1,045,367)	(1,075,822)	(1,305,351)	(1,389,195)	(1,090,991)
Gross profit	315,846	360,215	505,446	476,052	383,068
Other income and expenses, other gains and losses	118,456	(157,458)	735	29,366	19,275
Expected credit losses/ impairment losses, net of reversal	(103,176)	(196,937)	(61,303)	4,819	(5,963)
Fair value changes of financial assets measured at FVTPL	(131,831)	(976,796)	(906,072)	(70,835)	354,894
Fair value changes of contingent consideration payables	(2,681)	(98,188)	(251)	–	–
Fair value changes of embedded derivative components of convertible bonds	–	13,373	(5,865)	–	–
Selling and distribution expenses	(63,055)	(125,759)	(108,862)	(128,600)	(97,327)
R&D expenditure	(53,992)	(51,327)	(48,935)	(46,180)	(43,399)
Administrative expenses	(269,470)	(343,317)	(386,376)	(442,566)	(286,945)
Finance costs	(217,449)	(285,991)	(245,815)	(128,428)	(43,371)
Share of results in associates	(1,345)	1,231	222	1,536	–
Share of results in joint ventures	10,856	(397,737)	(92,405)	(37,801)	(4,516)
(Loss)/profit before tax	(397,841)	(2,258,691)	(1,349,481)	(342,637)	275,716
Taxation	(4,387)	1,491	(6,890)	42,766	(87,440)
(Loss)/profit for the year	(402,228)	(2,257,200)	(1,356,371)	(299,871)	188,276
Other comprehensive (expense)/income for the year, net of income tax	(99,754)	69,528	148,076	(176,570)	5,365
Total comprehensive (expense)/income for the year	(501,982)	(2,187,672)	(1,208,295)	(476,441)	193,641
(Loss)/profit for the year attributable to:					
Owners of the Company	(373,724)	(2,187,830)	(1,386,813)	(302,169)	178,664
Non-controlling interests	(28,504)	(69,370)	30,442	2,298	9,612
	(402,228)	(2,257,200)	(1,356,371)	(299,871)	188,276

Financial Summary (Continued)

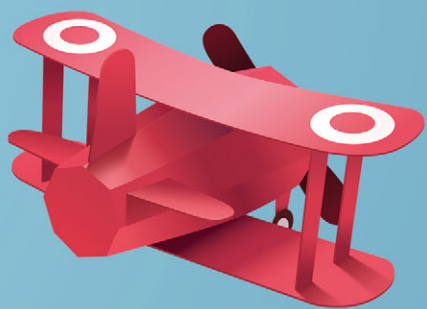
	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total comprehensive (expense)/income for the year attributable to:					
Owners of the Company	(473,770)	(2,128,163)	(1,230,657)	(478,487)	184,850
Non-controlling interests	(28,212)	(59,509)	22,362	2,046	8,791
	(501,982)	(2,187,672)	(1,208,295)	(476,441)	193,641
(Loss)/earnings per Share – Basic# (RMB)	(0.07)	(0.44)	(0.28)	(0.07)	0.05
– Diluted (RMB)	(0.07)	(0.44)	(0.28)	(0.07)	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				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	2,046,263	2,786,759	4,025,140	3,752,666	2,551,273
Current assets	2,408,962	3,025,834	5,774,672	5,603,953	4,863,403
Total assets	4,455,225	5,812,593	9,799,812	9,356,619	7,414,676
Current liabilities	(3,204,084)	(3,743,467)	(4,958,244)	(3,282,440)	(3,393,565)
Total assets less current liabilities	1,251,141	2,069,126	4,841,568	6,074,179	4,021,111
Non-current liabilities	(729,799)	(1,009,078)	(1,501,396)	(2,612,393)	(911,279)
Owners' equity	521,342	1,060,048	3,340,172	3,461,786	3,109,832
Non-controlling interests	328,045	397,341	577,123	291,891	287,767
Equity attributable to owners of the Company	193,297	662,707	2,763,049	3,169,895	2,822,065

Chairman's Statement





Chairman's Statement



**The Master said,
"Whoever you are,
you have a right to learn"**

The Analects

Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the 2020 Financial Year.

In 2020, with tremendous support from the Shareholders, customers, 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 operations as bases and educational management and financial service as cradles. The Group aspires to become "a globally influential financial services group focusing on education".

The COVID-19 epidemic spread worldwide in 2020 and has not been effectively controlled. The dramatic changes in the global economic landscape and industrial environment have brought multiple challenges and uncertainties to the business operations and expansion of various market entities. The Group actively responded to the epidemic-induced challenges, with effective measures to tackle adverse factors and fully protect both physical and mental health and safety of students and employees.

It insisted on "Suspending Classes without Stopping Learning", utilised the "Internet + Education" model to conduct teaching through online teaching platform, and ensured the stable and orderly operation of each business.

The rapid development of technology is reshaping human society. New things such as artificial intelligence, Internet+, cloud computing, and big data have broadly penetrated everywhere of human production and life, creating a new industrial landscape. Technological improvement has not only upgraded the industry and changed the lifestyle, but also brought unprecedented opportunities and challenges to education development. The demand for quality education has been increasing amid the growing importance attached to education in society. By measures including reforming school, optimising management model, improving teaching method and raising students' quality, the Group cultivates talents required for the future and continuously increases the competitiveness in education.

In 2020, the Group committed to its original education thoughts and continued to strengthen its foundation based on the education and talent development

Chairman's Statement (Continued)

pattern by applying the new technology developed in the information age, so as to provide students with all-rounded and quality education services. The Group kept abreast of future education development trend and provided an education that matches students' future development according to their quality. The Group provided students with high-quality and personalised course design by introducing "Smart Classroom". It also enhanced the students' comprehensive capabilities in every aspect by offering abundant choices of extracurricular activities, in a bid to cultivate creative and competitive inter-disciplinary talents with different skills. The Group also had made great efforts to introduce famous teachers with a focus on "Teaching and Performance", coupled with a variety of teaching and research approaches to prepare, compete on and hone their lessons at multiple levels. The Group proactively organised activities such as "Indigo Blue Project (青藍工程)" and "Class Observation and Evaluation", and paired up experienced and fresh teachers to help each other, in order to exert the resource advantages of "Pass, Help and Lead" of pillar teachers and boosted teaching quality effectively.

In 2020, the global capital market faced severe volatility and the uncertainties were rising. However, the implementation of a series of reform measures by the Stock Exchange has further consolidated Hong Kong's position as a global international financial center. The Group has paid high attention to market dynamics and integrated to use multiple financial instruments and strategies to provide various entities with featured, differentiated and professional financial services. The Group kept good communication with customers, continued to improve the integrated service capabilities and promoted steady and sustainable development for every financial services business.

In 2020, the Group's automotive parts business adhered to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management". Moreover, by deepening the promotion of Amoeba management model, the Group effectively controlled the cost of production and operation and 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. In light of the trend of the automobile industry and operating circumstances of automotive manufacturers, the Group continued to optimise and improve the structure of products and customers and deeply explore the potentiality of the market to develop new markets.

In 2021, 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 by its accumulation in educational talents reserve, education investment experience, physical schools management, and innovation of business models, the Group will incorporate 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 enlighten and light up the journey of success for every child. Leveraging on its consummate diversified financial service system and through close collaboration of its business units including investment banking, securities, asset management and research, the Group will adhere to the strategies of differentiated and characteristic development to provide diversified and personalised professional financial services to its customers.

In the new year, we are full of confidence and anticipation, wish to make progress together with our shareholders, business partners, and colleagues, stir ourselves and move on, and turn a new page with a fresh start.

Wilson SEA

Chairman and Executive Director

30 March 2021

Management Discussion And Analysis





Management Discussion And Analysis



INTRODUCTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in financial services business, which can provide 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 established a trinitarians interactive business mode, which capitalises on educational operations as bases and educational management and financial service as cradles. The Group aspires to become “a globally influential financial services group focusing on education”.

“The best thing to do for a year is to sow grains; the best thing to do for ten years is to plant trees; the best thing to do for a hundred years is to educate people and train talents.”

Guanzi

Management Discussion And Analysis (Continued)

During the year under review, the Group achieved impressive results in its business. Edukeys Group won the “2020 Influential Education Group” award at the 2020 “Echoes of China” Tencent Annual Education Ceremony* (2020「迴響中國」騰訊教育年度盛典) for the PGA (Project of Global Access) high school international programme under its operation. Jiangxi Xishan was elected as one of the first 15 high schools with characteristic in Jiangxi Province and it was the only private school on the list. Following the certification and naming of the kindergarten of Fuqing Xishan as a “Featured National Football Kindergarten” by the Ministry of Education in August 2019, the kindergarten of Jiangxi Xishan was certificated and named as a “Featured National Football Kindergarten” by the Ministry of Education in January 2021. The

Group was awarded the Platinum Winner Worldwide at the 2019 Vision Awards hosted by the League of American Communications Professionals LLC (LACP) for its 2019 annual report, and such report was also nominated in the Top 100 Reports Worldwide. The Group also gained three awards at the 34th International ARC Awards organised by MerComm, Inc. and the IADA 2020 selection organised by The International Annual Report Design Awards (IADA).

The Group also proactively fulfilled its corporate social responsibility by donating special funds to Xichuan Red Cross* (浙川縣紅十字會) for the prevention of the COVID-19 epidemic and to Fujian Poverty Alleviation Foundation* (福建省扶貧基金會) for poverty alleviation. The Group also made donations to the education system of Basu County in Tibet Autonomous Region, reduced or waived the tuition fees of outstanding students from disadvantaged families, and co-organised with Tencent “Youth Go (青年行)” providing live broadcast charitable online lectures to secondary students in the Guangdong-Hong Kong-Macao Greater Bay Area.



Management Discussion And Analysis (Continued)

BUSINESS REVIEW

The COVID-19 epidemic spread worldwide in 2020 and has not been effectively controlled. The dramatic changes in the global economic landscape and industrial environment have brought multiple challenges and uncertainties to the business operations and expansion of various market entities. The Group actively responded to the epidemic-induced challenges, with effective measures to tackle adverse factors and promote the steady development of each business segment. In the meantime, the Group tapped into the fresh transformations and opportunities brought by the epidemic to develop innovative business models, optimise its business layout and expand its business contents.

Education Operation Business

Education serves as the foundation of national development in the 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, while the importance of knowledge and

talents is increasing, the role and function of education are protruding. With the increasing disposable income of citizens in China, the growing population of the middle class and the implementation of the “Universal Two-child Policy” across the country, the huge population base and increasing competition for 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 accounting for more than 4% of the GDP since 2012. In order to develop fairer and higher quality education, the government has introduced multiple policies, accelerating education modernisation, strengthening education reform, improving education quality vigorously, encouraging social forces to invest in education and promoting the development of the private education sector in a steady and healthy manner, which bring long-term development opportunities to enterprises truly committed to education.



Management Discussion And Analysis (Continued)

In view of this, 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 and international education. It 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 order to prevent the spread of COVID-19 epidemic in school campuses and ensure the safety and health of teachers and students, in January 2020, the Ministry of Education issued a notice requiring a postponement of the spring semester in 2020. In February 2020,

the General Office of the Ministry of Education and the General Office of the Ministry of Industry and Information Technology jointly issued the Notice on the Work Arrangement of "Suspending Classes without Stopping Learning" during the Period of Postponement of Spring Semester of Primary and Middle Schools* (《關於中小學延期開學期間「停課不停學」有關工作安排的通告》), which integrates high quality educational resource, launches the national network cloud platform and online television classes for the primary and middle schools, and provides relevant learning resources at no extra cost to support and help students who study at home. Xishan Schools and Yinghua School did well in epidemic prevention and control in accordance with the Guidelines on COVID-19 Prevention and Control in Primary and Middle Schools* (《中小學校新型冠狀病毒肺炎防控指南》). They organised nucleic acid tests for all the staff, purchased anti-epidemic supplies such as face masks, disinfectants and temperature



Management Discussion And Analysis (Continued)



guns, set up tents as temporary isolation points and arranged external disinfection vehicles to disinfect everywhere of the campuses, and coordinated the aspects between epidemic prevention and control and teaching. During the period of class suspension, the Group set up cloud classes by means of the “Internet + Education” model, and conducted live broadcast teaching through online teaching platform where students study online on their own, and teachers provide online coaching and tutoring and supervise and randomly check the results of their independent learning. Experts were also invited to conduct training lectures to offer teachers scientific guidance on online teaching. Xishan Schools have proactively conducted online activities for family-school co-education and specially invited mental health education experts to give online education lectures on life safety, promoted and popularised the knowledge of epidemic prevention and control, and facilitated the educational guidance and psychological counselling.

The Group put forth efforts to strengthen the operation and management of its invested education projects, and boosted teaching quality effectively by focusing on the teaching reform. Fuqing Xishan developed the “Smart Classroom” and actively explored innovative education. Jiangxi Xishan established its “High-quality Senior High School”, where famous teachers were introduced with a focus on “Teaching and Performance”, coupled with a variety of teaching and research approaches to prepare, compete on and hone their lessons at multiple levels. The Group guided its teachers to cultivate a sense of lifelong learning, proactively organised activities such as “Indigo Blue Project* (青藍工程)” and “Class Observation and Evaluation”, and paired up experienced and fresh teachers to help each other, groom new teachers with the help of experienced ones in the name of “Pass, Help and Lead (傳、幫、帶)”. At the same time, the

Management Discussion And Analysis (Continued)

Group vigorously reformed the performance appraisal of teachers and established a promotion system for them, to develop a virtuous mechanism of competition with performance-based remuneration and promote the teaching and comprehensive capabilities of the teaching team as a whole.

The Group 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. Graduates of the PGA programme operated by Edukeys Group have been admitted into first-class universities in the United States, the

United Kingdom, Canada and Australia, such as Oxford University, Imperial College London, Cornell University, and Rice University. Students from Jiangxi Xishan won the first prize in Girls Group A, the second prize in Girls Group B and the first prize in Boys Group B in the 2020 Jiangxi Youth Football Tournament* (江西省青少年足球錦標賽). Jiangxi Xishan also won the first prize in the Primary School Girls Group and the third prize in the Primary School Boys Group in the Sixth Hundred Counties Youth Football Tournament in Jiangxi Province* (江西省第六屆百縣青少年足球比賽). Students from Fuqing Xishan won the second prize (group award) in the Fujian Youth Sports Science and Technology Innovation Competition* (福建省青少年體育科技創新大賽), and the first prize in the High School Girls Group and the second prize in the High School Boys Group in the Fujian Youth Campus Football League cum Secondary School Football Tournament* (福建省青少年校園足球聯賽暨中學生足球錦標賽).



Management Discussion And Analysis (Continued)

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 foundation. The Group empowered education through financial services business, integratively used multiple financial instruments and strategies to proactively expand its business, and provided various educational entities and other entities with featured, differentiated and professional financial services.

FC Securities is licenced 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 is licensed to conduct type 1 (dealing in securities), type 4 (advising

on securities) and type 9 (asset management) regulated activities under the SFO. It can provide portfolio management services (such as stocks, bonds, discretionary managed accounts, and funds), investment consultation and investment advisory services to its clients. FC International Finance is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and was admitted by the SFC as a sponsor under the SFO. As such, FC International Finance can act as a sponsor for listing applicants in IPO, advise on matters in relation to the “Codes on Takeovers and Mergers and Share Buy-backs” issued by the SFC, and advise listed companies in relation to the Listing Rules. First Capital Finance Limited holds a money lenders license. It can carry out money lenders business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). FC Fund



Management Discussion And Analysis (Continued)

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), a wholly-owned subsidiary of FC Asset Management, 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, the global capital market faced severe volatility and the uncertainties were rising. The circuit breaker was triggered four times in the US stock market that was very rare in history, causing a roller coaster ride in global stock markets, and the settlement price of WTI crude oil futures contract closed at negative value for the first time in history. However, in the meantime, China

attained stellar performance in epidemic prevention and control, which enabled recovery and stability in its economic development. In 2020, China recorded a GDP in excess of RMB100 trillion for the first time, making it the only economy with positive growth in the world's major economies. The Chinese capital market also delivered outstanding performance. The ChiNext Index gained about 65% in 2020, ranking second in the world's major indices after the Hang Seng TECH Index by growth rate. In 2020, the Hong Kong spot market recorded an average daily turnover of approximately HK\$129.5 billion, representing an increase of approximately 49% year on year. The successful secondary listings of JD.com, Inc., NetEase, Inc. and New Oriental Education & Technology Group Inc. in Hong Kong had attracted a lot of capital subscriptions. Many well-known new economy companies and offshore-listed Chinese concepts stocks have both opted for Hong Kong for their IPO and returning and



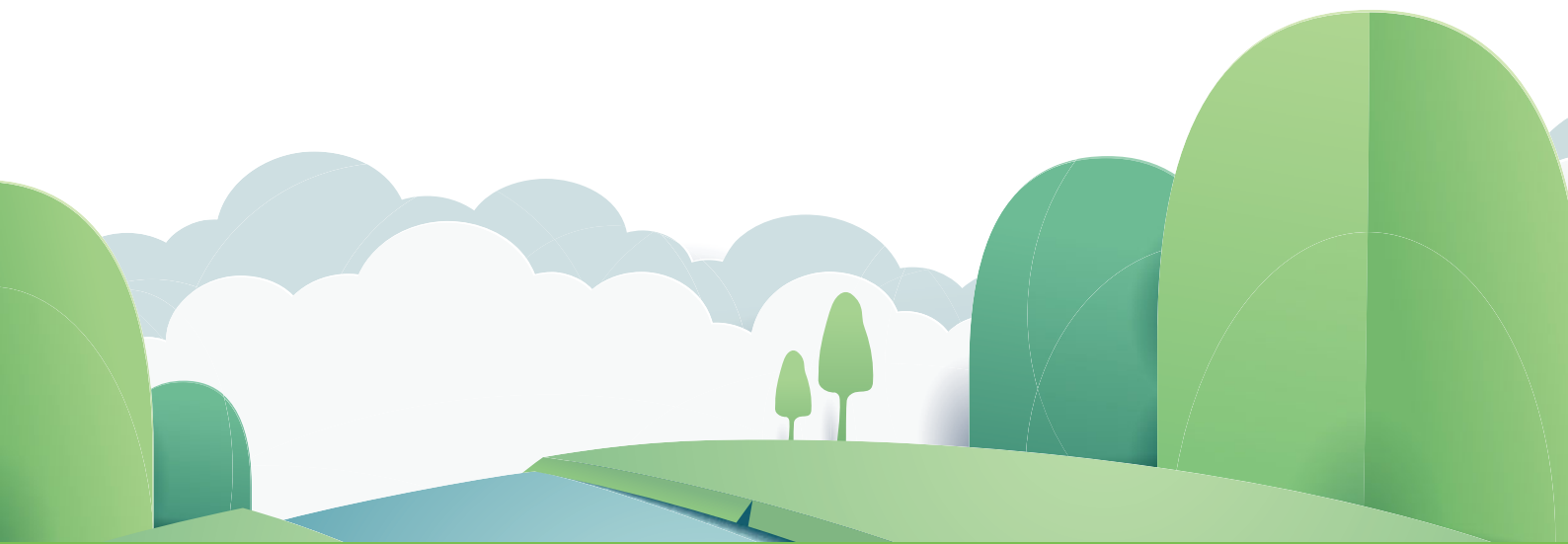
Management Discussion And Analysis *(Continued)*

secondary listing respectively, which highlighted the strength of Hong Kong capital market, further reinforced Hong Kong as an international financial centre and underscored Hong Kong as a bridge between the Mainland China and the rest of the world.

During the year under review, the Group's financial services business actively responded to the epidemic by setting up an epidemic prevention and control team, arranging and implementing various epidemic prevention measures in an orderly manner. It arranged professional staff to offer regular disinfection to office premises, and issued anti-epidemic subsidies and supplies to employees. The Group also implemented dynamic management towards its employees and adopted flexible working methods, with a combination of work from home and rotation to work, in order to fully protect both physical and mental health and safety of its employees and ensure the stable and orderly operation of various businesses. FC Securities, FC Asset Management and FC International Finance have paid high attention to market dynamics and kept abreast of the market development trends. They overcame the impact on expanding the Mainland China's market and developing the Mainland China's customers due to travel restrictions and quarantine policies under the prevention and control of the

epidemic. They strengthened communication with existing customers and assisted and guided customers to participate in new subscriptions of the IPO of new economy companies and secondary listing of offshore-listed Chinese concepts stocks, and actively expanded potential customer bases in order to obtain more business opportunities.

FC International Finance acted as joint sponsor, independent financial advisor and financial advisor for a number of transactions. In particular, the deemed new listing application of United Strength Power Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2337), to which FC International Finance acted as the joint sponsor, was completed during the year under review. FC International Finance also acted as an independent financial advisor to the independent board committee and the independent shareholders of Time Interconnect Technology Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1729) for an extreme and connected transaction, and financial adviser to China Tontine Wines Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 389) in relation to the placing of convertible bonds under the general mandate. FC



Management Discussion And Analysis (Continued)

Securities acted as the underwriter for the rights issue project of Greatwalle Inc. (a company listed on the GEM of the Stock Exchange, stock code: 8315) and the deemed new listing application project of United Strength Power Holdings Limited. First Capital Global Education Investments SP under the management of FC Asset Management, adopted diverse and flexible investment strategies to invest in secondary-market stocks and explore opportunities for IPO investment, with good performance during the year under review. At the same time, the fund investment advisory business has been actively developed by FC Asset Management and the scale of fund investment advisory grew significantly during the year under review.

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. Since March 2020, prevention and control over the epidemic in China have experienced a continuous improvement, and production and operation among enterprises have gradually resumed. The production and sales of automobiles maintained a recovery momentum robustly, displaying a positive trend of development. In 2020, the production and sales of automobiles amounted to approximately 25,225,000 and approximately 25,311,000, respectively, representing a year-on-year decrease of approximately 2.0% and approximately 1.9%, respectively. Such declines narrowed by approximately 5.5 and approximately 6.3 percentage points as compared to 2019, respectively.

Confronted with the impact of the epidemic, the Group's automotive parts business juggled the prevention and control of the epidemic as well as the resumption of production. The Group was meticulous under the guidance about resuming work and production during the prevention and control of the epidemic period, and the production was resumed in an orderly manner. The Group continued to adhere



Management Discussion And Analysis (Continued)

to the principal operational thought of “Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management”. Moreover, by deepening the promotion of Amoeba management model, the Group effectively controlled the cost of production and operation and 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. In light of the trend of automobile industry and operating circumstances of automotive manufacturers, the Group continued to optimise and improve the structure of products and customers and deeply explore the potentiality of the market in order to develop new markets.

During the year under review, the Group successfully developed new vehicle manufacturer markets such as Great Wall Motors, BYD Commercial Vehicles, Shaanxi Heavy Duty Automobile, CRRC Changchun Railway Vehicles, Xiaopeng Vehicle and NIO Inc. and completed the R&D of new shock absorber products for respective vehicle models. The Group has become the global supplier for absorbers of Sweden Volvo Commercial Automobile Company and German Daimler Commercial Automobile Company, respectively, as a result of passing their examination. The Group also set up an R&D centre in Shanghai to enhance its technological innovation capabilities in automotive suspension and shock absorbers.

OUTLOOK

Education Operation Business

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

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 “Developing morality and shaping 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 to holistic education, skill education and lifelong education and specific caring for the holistic development of educatees.



Management Discussion And Analysis (Continued)

In January 2020, the national education work conference proposed to enhance the pertinence and effectiveness of the fundamental task of “Developing morality and shaping character” and implement the strategy of giving priority to the development of education unswervingly, strengthen the construction of teaching team comprehensively, promote the reform and opening up of education to achieve new breakthroughs, and construct an education system serving lifelong learning for all. In March 2020, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Comprehensively Strengthening Labour Education in Universities, Middle Schools and Primary Schools in the New Era* (《關於全面加強新時代大中小學勞動教育的意見》), which indicates that we should adhere to the principle of “Developing morality and shaping character”, incorporate labour education into the whole process of talent cultivation throughout all stages of education in universities, middle schools and primary schools as well as all aspects of family, school and society, and integrate labour education with moral, intellectual, physical and aesthetic education, in order to construct a comprehensive education system covering moral, intellectual, physical, aesthetic and labour education. In October 2020, “The Overall Plan for Deepening the Reform of Education Evaluation in

the New Era* (《深化新時代教育評價改革總體方案》)” issued by the Central Committee of the Communist Party of China and the State Council stressed the need to improve the institutional mechanism of “Developing morality and shaping character”, reverse the unscientific direction of education evaluation, resolutely address the chronic preference of score, further education and diploma, improve the ability and level of education governance, reform student evaluation, and promote the overall development of moral, intellectual, physical, aesthetic and labour.

The Group commits to its original education 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 eastern and western quality 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 enlighten and light up the journey of success for every child.



Management Discussion And Analysis *(Continued)*

When school was suspended, the learning of students was not disrupted by the disruption of class, and millions of teachers and students participated in online teaching. The construction of China's education informationisation received a "big drill", and online teaching gradually became a parallel teaching mode with offline teaching. Adopting remote learning as a major mode of education is not only an extraordinary means dealing with the plight of the education industry in the time of the epidemic, but also an exploration and attempt of new forms of future education. Online education has changed the teaching mode of teachers, the learning mode of students, the management mode of schools, as well as the scenes and forms of education. It has promoted the transformation of education from teacher-oriented to student-oriented. Under the trend of "Internet +", the integration of traditional education mode and online education mode, and the seamless connexion between in class and outside class will be the direction of future education development.

Looking ahead to 2021, the Group will follow the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the post-epidemic era. The Group will focus on the all-rounded development of teachers, increase efforts on teacher training and expand the scope of teacher training. Training will take place at multiple levels and on multiple aspects, covering areas such as research, teaching and innovative educational concepts. Great efforts will be made to introduce talented teachers and subject leaders, establish a mechanism and platform for the selection and cultivation of talented teachers on campus, and build a team of outstanding teachers fanning out from point to area to promote the professional growth of teachers. The Group will start with the promotion of teaching and classroom reform, utilise the "Internet+" model and integrate new information technologies such as big data and cloud computing with education and teaching. By doing so, the Group will introduce smart classrooms

and dual-teacher classrooms, promote the "interactive, heuristic, exploratory and experiential" teaching mode, realise personalised learning, and promote students' comprehensive ability and intelligence development. The Group will continue to optimise the curriculum structure, create a series of high-quality curriculums, and engage in quality literacy education focusing on STEAM (Science, Technology, Engineering, Arts and Mathematics) education, and adhere to featured education such as football and martial arts, integrate domestic and overseas quality educational resources to establish featured and reputable schools. Leveraging 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 a new international education service platform. In the meantime, the Group will also push forward the exploration and implementation in areas such as media arts education, vocational education, and industry-education integration.

Financial Services Business

Owing to the operational innovation and institutional reform of the Stock Exchange, more Chinese-funded enterprises opted for Hong Kong for primary or secondary listing and the trend is promising. In 2020, there were a total of 154 companies (including those 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\$397.5 billion, representing a year-on-year increase of approximately 27%. It represented the highest amount of capital raised for a single year since 2010. Of the total, approximately 64% came from 50 new economy companies (including 22 companies with different voting structures, biotechnology companies and/or secondary listings under the new listing regime). In May 2020, MSCI reached an agreement with the Stock Exchange to jointly launch products pertaining to Asia and emerging market indices, which will sustain the thriving development of the Hong Kong derivatives market.

Management Discussion And Analysis (Continued)

Trading has been increasingly active, by the growing maturity of interconnection mechanisms such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect. The growth in transaction size has injected new vitality into the Mainland China and Hong Kong capital markets. The Stock Exchange, SSE and SZSE have reached a consensus on the simultaneous expansion of the scope of the Shanghai and Shenzhen-Hong Kong Stock Connects by including the stocks of the Science and Technology Innovation Board and biotechnology companies listed in Hong Kong as targets. Bond Connect, which embraced its third anniversary, recorded an average daily trading volume of approximately RMB19.8 billion in 2020, representing a year-on-year growth of approximately 85%. Meanwhile, China proceeds with its capital market reform and innovation at a steady pace, with the registration-based system successfully implemented at the Science and Technology Innovation Board of SSE and the Growth Enterprise Market of SZSE. China A-shares have been included into the MSCI indices and the FTSE Russell indices, which will further push forward the standardisation and international advancement of China's capital market and attract international investors to engage in China's securities market.

Looking ahead to 2021, with unprecedented challenges from the COVID-19 epidemic, the global economy is expected to experience difficulty in its recovery and global cooperation is critical to balance anti-epidemic efforts with economic recovery properly. In the post-epidemic era, uncertainties and risks will increase, such as global geopolitics, the US-China rivalry and effectiveness of vaccination. The financial markets in Hong Kong and the world will face various pressures and challenges, as well as various development opportunities.

With its outstanding performance in the past, the Group's financial services business has framed a highly recognised brand and considerable market influence. The Group will follow the prevailing situation, seize the timing and actively explore business opportunities to promote the robust development of its financial services business. The Group will leverage its diversified financial service licences and consummate financial service system and regard FC Financial Group as the base. The Group will enable business units including investment banking, securities, asset management and research to work more closely, and adhere to the strategies of differentiated and characteristic development. The Group will pursue a people-oriented philosophy, implement a refined management strategy, stabilise and expand its workforce, innovate and upgrade its product and service systems, strengthen its business channels, maintain and expand its customer bases, and provide diversified and personalised professional financial services to its customers.

Automotive Parts Business

Looking ahead to 2021, the control of the epidemic is overall positive, COVID-19 vaccine has been released gradually and the vaccination has started. However, SARS-Cov-2 mutations occur from time to time, as the regional rebound of the epidemic may last for a relatively long period of time. The international community still faces considerable uncertainties in epidemic prevention, control and development, and the macro economy and overseas market demand will take time to fully recover. As a result, the automobile and automotive parts industries are still facing greater challenges. The Group will implement effective development strategies to promote the development of its automotive parts business.

Management Discussion And Analysis (Continued)

The Group's automotive parts business will continue to target for "Top Quality and Customer Satisfaction", 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, keep on optimising and improving its product mix and customer structure, deeply explore the potentiality of the market and develop emerging markets such as the after-sales market, the international market and the rail transit market.

The Group regards the development of R&D capability as its core work. The technology centre of the Group has been certified as the "National Enterprise Technology Centre" 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. The Group strives to build first-class R&D centres in areas such as Italy, Shanghai and Nanyang 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 and achieve the industrialised conversion of new technologies of shock absorbers.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's overall revenue decreased by approximately 5.2% to approximately RMB1,361.2 million from approximately RMB1,436.0 million in 2019, of which revenue from automotive parts business increased by approximately 2.7% to approximately RMB942.9 million from approximately RMB917.8 million in 2019, revenue from financial services business decreased by approximately 68.0% to approximately RMB30.9 million from approximately RMB96.7 million in 2019, and revenue from education operation business decreased by approximately 8.1% to approximately RMB387.4 million from approximately RMB421.5 million in 2019. The decrease in revenue was mainly due to the decrease in revenue of financial services business.



Management Discussion And Analysis (Continued)

Cost of sales/services

For the year ended 31 December 2020, the Group's overall cost of sales/services decreased by approximately 2.8% to approximately RMB1,045.4 million from approximately RMB1,075.8 million in 2019, of which cost of sales from automotive parts business increased by approximately 2.7% to approximately RMB810.8 million from approximately RMB789.3 million in 2019, cost of services from financial services business decreased by approximately 69.1% to approximately RMB2.1 million from approximately RMB6.8 million in 2019, and cost of services from education operation business decreased by approximately 16.9% to approximately RMB232.5 million from approximately RMB279.7 million in 2019. The decrease in cost of sales/services was mainly due to the decrease in cost of services of education operation business.

Gross profit

For the year ended 31 December 2020, the Group's overall gross profit decreased by approximately 12.3% to approximately RMB315.8 million from approximately RMB360.2 million in 2019, of which gross profit from automotive parts business increased by approximately 2.8% to approximately RMB132.1

million from approximately RMB128.5 million in 2019, gross profit from financial services business decreased by approximately 68.0% to approximately RMB28.8 million from approximately RMB89.9 million in 2019, and gross profit from education operation business increased by approximately 9.2% to approximately RMB154.9 million from approximately RMB141.8 million in 2019. The decrease in gross profit was mainly due to the decrease in revenue of financial services business.

Gross profit margin

For the year ended 31 December 2020, the Group's overall gross profit margin decreased by approximately 1.9 percentage points to approximately 23.2% from approximately 25.1% in 2019, of which gross profit margin of automotive parts business was approximately 14.0%, which remained the same as in 2019, gross profit margin of financial services business increased by approximately 0.2 percentage points to approximately 93.2% from approximately 93.0% in 2019, and gross profit margin of education operation business increased by approximately 6.4 percentage points to approximately 40.0% from approximately 33.6% in 2019.



Management Discussion And Analysis (Continued)

Other income and expenses

For the year ended 31 December 2020, the Group recorded other income of approximately RMB63.6 million, representing a decrease of approximately RMB35.8 million from approximately RMB99.4 million in 2019. Such income was primarily the income of school campus ancillary services and government grants.

Other losses

For the year ended 31 December 2020, the Group recorded other losses of approximately RMB16.0 million, representing a decrease of approximately RMB1,031.1 million from approximately RMB1,047.1 million in 2019. Such losses primarily represented the loss arising from the unfavourable fair value changes of financial assets measured at FVTPL.

Expected credit losses

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 period as well as the forecast of future conditions. For the year ended 31 December 2020, the Group's provision on expected credit losses amounted to approximately RMB103.2 million, representing a decrease of approximately RMB93.7 million from approximately RMB196.9 million in 2019.

Impairment losses on goodwill, tangible and intangible assets

For goodwill and intangible assets with indefinite useful lives, 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 2020, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB48.5 million, representing a decrease of approximately RMB222.9 million from approximately RMB271.4 million in 2019. Such losses represented the impairment of goodwill of Edukeys Group.

Selling and distribution expenses

For the year ended 31 December 2020, the Group's selling and distribution expenses decreased by approximately 49.8% to approximately RMB63.1 million from approximately RMB125.8 million in 2019. Such decrease was mainly due to the decrease in after-sale services expenses and other distribution expenses in the automotive parts business.

R&D expenditure

For the year ended 31 December 2020, the Group's R&D expenditure increased by approximately 5.3% to approximately RMB54.0 million from approximately RMB51.3 million in 2019. Such increase was mainly due to the increase in investment in the R&D centres of automotive parts business.



Management Discussion And Analysis (Continued)

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses decreased by approximately 21.5% to approximately RMB269.5 million from approximately RMB343.3 million in 2019. 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 2020, the Group's finance costs decreased by approximately 24.0% to approximately RMB217.4 million from approximately RMB286.0 million in 2019. Such decrease was mainly due to the decrease in the borrowings of the Group.

Taxation

For the year ended 31 December 2020, the Group's taxation was the income tax expense of approximately RMB4.4 million as compared with the income tax credit of approximately RMB1.5 million in 2019. Such change was mainly due to the increase in the PRC current income tax expense and the decrease in deferred income tax credit.

Loss for the year

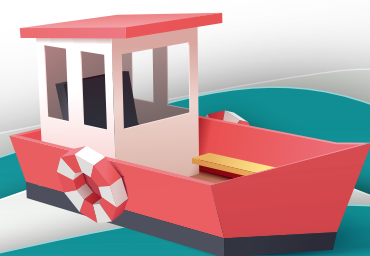
For the year ended 31 December 2020, the Group recorded a loss of approximately RMB402.2 million, representing a decrease of approximately 82.2% as compared with a loss of approximately RMB2,257.2 million in 2019. Such loss was mainly due to the loss arising from the unfavourable fair value changes of financial assets measured at FVTPL and expected credit loss.

Loss per Share

For the year ended 31 December 2020, the basic and diluted loss per Share of the Group amounted to approximately RMB0.07, while the basic and diluted loss per Share amounted to approximately RMB0.44 in 2019.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS**Net current liabilities**

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 2020, the Group's net current liabilities amounted to approximately RMB795.1 million, representing an increase of approximately 10.8% as compared with that of approximately RMB717.6 million as at 31 December 2019.



Management Discussion And Analysis (Continued)

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK\$. As at 31 December 2020, the Group's cash and bank balances amounted to approximately RMB207.5 million, representing a decrease of approximately 10.4% as compared with that of approximately RMB231.6 million as at 31 December 2019.

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 2020, the Group's total borrowings amounted to approximately RMB1,543.7 million, representing a decrease of approximately 14.7% as compared with that of approximately RMB1,809.8 million as at 31 December 2019. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB777.4 million as at 31 December 2020, representing a decrease of approximately 37.1% as compared with that of approximately RMB1,236.8 million as at 31 December 2019; (ii) borrowings due over one year but within two years amounted to approximately RMB381.7 million as at 31 December 2020, representing an increase of approximately 51.1% as compared with that of approximately RMB252.6 million as at 31 December 2019; (iii) borrowings due over two years but within five years amounted to approximately RMB261.7 million as at 31 December 2020, representing an increase of approximately 39.4% as compared with that of approximately RMB187.8 million as at 31 December 2019; and (iv) borrowings due over five years amounted to approximately RMB122.9 million as at 31 December 2020, representing a decrease of approximately 7.2% as compared with that of approximately RMB132.5 million as at 31 December 2019.

As at 31 December 2020, the interests of approximately RMB1,303.7 million of the Group's total borrowings (31 December 2019: approximately RMB1,402.3 million) are calculated at fixed interest rates.

As at 31 December 2020, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 36.4% (31 December 2019: approximately 33.6%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2020, the Group's inventories amounted to approximately RMB93.4 million, representing a decrease of approximately 54.5% as compared with that of approximately RMB205.1 million as at 31 December 2019. Such decrease was mainly due to the decrease in finished goods of automotive parts business.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2020, the Group's trade receivables amounted to approximately RMB492.3 million, representing an increase of approximately 13.1% as compared with that of approximately RMB435.4 million as at 31 December 2019. Such increase was mainly due to the settlement delays from the customers of automotive parts business.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2020, the Group's trade payables amounted to approximately RMB506.1 million, representing a decrease of approximately 19.4% as compared with that of approximately RMB627.9 million as at 31 December 2019. Such decrease was mainly due to the decrease in procurement of automotive parts business.

Management Discussion And Analysis (Continued)

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, SGX, Australian Securities Exchange and SSE as well as investments in unlisted entities. As at 31 December 2020, the fair value of such investments was approximately RMB692.3 million (31 December 2019: approximately RMB960.7 million), which was equivalent to approximately 15.5% (31 December 2019: approximately 16.5%) of the total assets of the Group as at 31 December 2020. For the year ended 31 December 2020, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB131.8 million (2019: gain of approximately RMB328.9 million).

The Group's interests in joint ventures represented the investments in joint ventures. As at 31 December 2020, the carrying amount of such investments was approximately RMB237.9 million (31 December 2019: approximately RMB571.9 million), which was equivalent to approximately 5.3% (31 December 2019: approximately 9.8%) of the total assets of the Group as at 31 December 2020. For the year ended 31 December 2020, the share of results of joint ventures of the Group recorded a gain of approximately RMB10.9 million (2019: a loss of approximately RMB397.7 million).

The principal investment objective of the Group is to explore capital appreciation with a view to enhancing the application of the Group's financial resources and maximising returns for the Shareholders. Investments will be made by the Group in segments and industries that the Directors may determine from time to time having considered, among others, their prospect, returns to the Group and potential risks. Looking ahead, the global stock market will remain volatile due to the uncertainties as a result of COVID-19 epidemic, the Sino-US competition 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 2020, the Group's capital expenditures were approximately RMB45.8 million (2019: approximately RMB180.7 million), which were primarily the expenses of automotive parts business and education operation business in respect of additions to softwares, 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 2020, the Group's capital commitments to additional softwares, properties, plants and equipment amounted to approximately RMB7.1 million (31 December 2019: approximately RMB67.1 million).

Management Discussion And Analysis (Continued)

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, 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 2020, save as disclosed in this annual report, the Group did not have any material contingent liabilities (31 December 2019: Nil).

PLEDGE OF ASSETS

As at 31 December 2020, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB420.7 million (31 December 2019: approximately RMB371.6 million) and the Group's land, property and plant with a carrying amount of approximately RMB150.9 million (31 December 2019: approximately RMB150.9 million) had been pledged to acquire borrowings for the Group.

As at 31 December 2020, the Group's restricted bank balances with a carrying amount of approximately RMB150.9 million (31 December 2019: approximately RMB481.0 million) were used for customer deposits for trading securities and pledges for bills payables with a maturity within one year issued to suppliers.

HUMAN RESOURCES

As at 31 December 2020, the Group had 3,611 employees (31 December 2019: 3,896 employees). For the year ended 31 December 2020, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB341.3 million (2019: approximately RMB432.1 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

INTEREST RATE RISK

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

Management Discussion And Analysis (Continued)

FOREIGN EXCHANGE RISK

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**Disposal of interest in GSV AcceleraTE Fund I, L.P.**

On 5 February 2020, First Capital International Investments Holdings Limited ("**FC International Investments**"), 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 Investments 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 announcement of the Company dated 5 February 2020.

Disposals and acquisition of shares in Sichuan Guangan AAA Public Co., Ltd.

Sichuan Yujiage Hotel Management Limited* (四川裕嘉閣酒店管理有限公司) ("**Yujiage Co.**"), an indirectly wholly-owned subsidiary of the Company, (i) from 25 September 2020 to 9 October 2020, had disposed of an aggregate of 7,380,000 shares of Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司) ("**Guangan AAA**"), a company listed on SSE (stock code: 600979), representing approximately 0.60% of the total issued shares of Guangan AAA as at 9 October 2020, of which the aggregate consideration was approximately RMB23.7 million (after deduction of the relevant transaction costs), (ii) from 16 October 2020 to 29 December 2020, had further disposed of an aggregate of 8,632,800 shares of Guangan AAA, representing approximately 0.7006% of the total issued shares of Guangan AAA as at 29 December 2020, of which the aggregate consideration was approximately RMB28.37 million (after deduction of the relevant transaction costs), and (iii) from 16 October 2020 to 29 December 2020, had acquired an aggregate of 14,279 shares of Guangan AAA, representing approximately 0.0012% of the total issued shares of Guangan AAA as at 29 December 2020, of which the aggregate consideration was approximately RMB47,000 (inclusive of relevant transaction costs). For further information, please refer to the announcements of the Company dated 9 October 2020 and 29 December 2020, respectively.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the year ended 31 December 2020, the Company had not carried out any equity fund raising activities involving the utilisation of the general mandate granted at the AGM held on 5 June 2019 and the general mandate granted at the AGM held on 16 June 2020.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

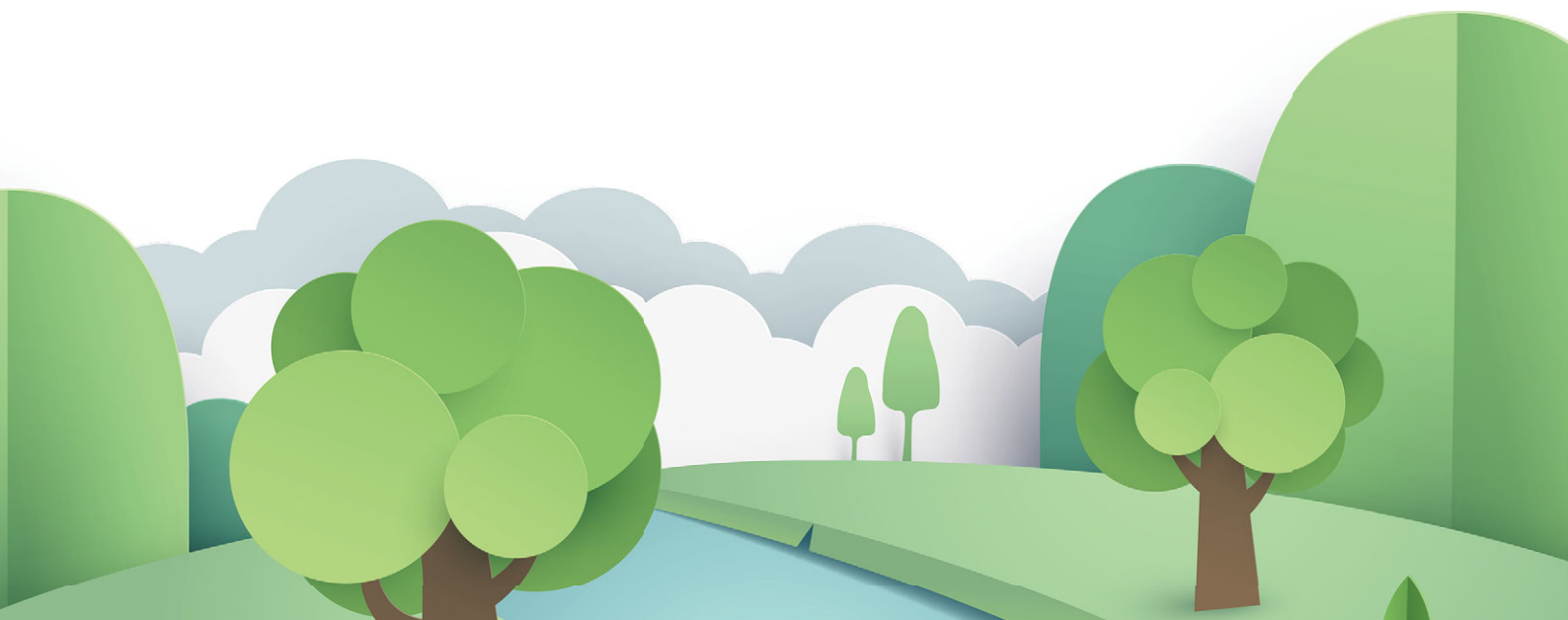
Dr. Wilson Sea

Dr. Wilson Sea (“**Dr. Sea**”), aged 57, was appointed as the Chairman and a non-executive Director on 27 April 2011 and was re-designated as the Chairman and an executive Director on 1 January 2015. He is responsible for the general strategic planning, business planning and co-ordination of the Group, as well as the supervision of the management’s implementation and execution of the strategies. He is also a director of a number of subsidiaries of the Company.

From 1997 to 2004, Dr. Sea worked in Minsheng Securities Co., Ltd. as an assistant to president, president and chairman consecutively, responsible for the investment banking business, the business of research 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 379,679,000 Shares, representing approximately 7.55% 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.



Profiles of Directors and Senior Management (Continued)

Mr. Zhao Zhijun

Mr. Zhao Zhijun ("**Mr. Zhao**"), aged 46, 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 51, was appointed as a deputy chief executive officer of the Company on 11 October 2016 and a Co-CEO on 26 July 2017. He was appointed as a Co-CEO and an executive Director on 30 January 2018 with effect from 1 February 2018. As a Co-CEO, Dr. Zhu is principally responsible for the management and development of the 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.



Profiles of Directors and Senior Management (*Continued*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus

Mr. Chu Kin Wang, Peleus ("**Mr. Chu**"), aged 56, 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 from December 2008 to March 2015 and deputy chairman and executive director from March 2015 to October 2020; (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) SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176): since March 2012; (e) 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; (f) Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057): since September 2015; (g) Mingfa Group (International) Company Limited (stock code: 846): since November 2016; and (h) 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.

Profiles of Directors and Senior Management *(Continued)***Dr. Du Xiaotang**

Dr. Du Xiaotang (“**Dr. Du**”), aged 47, was appointed as an INED on 19 July 2019. Dr. Du has over 17 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); and (b) an independent non-executive director of China Tianrui Group Cement Company Limited, a company listed on the Stock Exchange (stock code: 1252). From April 2017 to April 2020, Dr. Du was an independent director of Sichuan Xinjinlu Group Co., Ltd.* (四川新金路集團股份有限公司) (formerly known as Sichuan Jinlu Group Co., Ltd.* (四川金路集團股份有限公司)), a company listed on 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 57, was appointed as an INED on 17 February 2020. Mr. Loo has over 30 years of experience in mergers and acquisitions, private equity and corporate finance.

Mr. Loo is the executive director of King Tower Asset Management (Singapore) Pte Limited and the founder and director of Vermilion Gate Pte Limited. Mr. Loo is currently a board member of two companies listed on SGX, namely (a) as an independent director of Valuetronics Holdings Limited (stock code: BN2); and (b) 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), as an independent director of Citicode Ltd. (formerly known as Advance SCT Limited) (stock code: 5FH), and as an independent director of Datapulse Technology Holdings (stock code: BKW), shares of all 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.

Profiles of Directors and Senior Management (*Continued*)

SENIOR MANAGEMENT

Mr. Hung Man Yuk, Dicson

Mr. Hung Man Yuk, Dicson ("**Mr. Hung**"), aged 45, 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 42, 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.

Profiles of Directors and Senior Management *(Continued)***Mr. He Yaobin**

Mr. He Yaobin ("**Mr. He**"), aged 40, 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 the investment analyses and decision-making of several merger and acquisition projects in domestic and overseas.

Ms. Sun Bo

Ms. Sun Bo ("**Ms. Sun**"), aged 46, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Ms. Sun is responsible for 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 Stock Exchange, stock code: 21) from June 2006 to June 2007.

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

Mr. Zong Bin

Mr. Zong Bin ("**Mr. Zong**"), aged 44, 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 operation and management of certain educational 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 practise 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 2020 Financial Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in financial services business, which can provide 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 established a trinitarians interactive business mode, which capitalises on educational operations as bases and educational management and 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 2020 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 practises adopted by the Company are set out in the Corporate Governance Report of this annual report.

RESULTS

The results of the Group for the 2020 Financial Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

FINANCIAL SUMMARY

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

DIVIDEND POLICY

The 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 DIVIDEND

The Board does not recommend the payment of final dividend for the 2020 Financial Year (2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2020 Financial Year, sales to the Group's five largest customers accounted for approximately 40.8% of the total revenue of the Group (2019: approximately 37.5%), of which sales to the largest customer accounted for approximately 14.3% (2019: approximately 13.3%).



Directors' Report *(Continued)*

For the 2020 Financial Year, purchases from the Group's five largest suppliers accounted for approximately 52.9% of the total purchases of the Group (2019: approximately 28.1%), of which purchases from the largest supplier accounted for approximately 13.0% (2019: approximately 6.2%).

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 2020, the Group had property, plant and equipment at carrying value of approximately RMB938.1 million (31 December 2019: approximately RMB1,001.8 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

BORROWINGS

As at 31 December 2020, the Group's total borrowing amounted to approximately RMB1,543.7 million (31 December 2019: approximately RMB1,809.8 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

CAPITALISED INTERESTS

For the 2020 Financial Year, the Group did not capitalise any interest expenses related to properties under construction development (2019: Nil).

DONATIONS

For the 2020 Financial Year, the Group made charitable and other donations totaling approximately RMB1,032,000 (2019: RMB142,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2020 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 2020 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 2020 Financial Year are set out in the Consolidated Statement of Changes of Equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of the Company amounted to approximately RMB(47.0) million (31 December 2019: approximately RMB(173.9) million), comprising the share premium and the 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 2020 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 11 months as at 31 December 2020. The Directors will propose resolutions to terminate the Share Option Scheme and adopt a new share option scheme for approval by the Shareholders at the forthcoming AGM.

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 granted and 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 total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme was 110,000,000 Shares, representing approximately 2.2% of the issued Shares of the Company as at the date of this annual report.

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.

Directors' Report (Continued)

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 criteria:

- (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.

Directors' Report (Continued)

B. Options granted by the Company

For the 2020 Financial Year, the following share options were granted under the Share Option Scheme:

Category of participant	Date of grant	Exercise period	Exercise price per Share	Number of share options				
				Outstanding as at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Outstanding as at 31 December 2020
Employee	16 June 2020	16 June 2020 to 15 June 2030	HK\$0.30	–	50,000,000	–	–	50,000,000

Note: The share options granted on 16 June 2020 were fully vested immediately. The closing price of each Share as stated in the Stock Exchange's daily quotation sheet immediately proceeding the date of grant was HK\$0.197. The fair value of the share options granted as at the date of grant was approximately HK\$4,780,000 (equivalent to approximately RMB4,363,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the 2020 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 2020 Financial Year and up to the date of this annual report were:

Executive Directors

Dr. Wilson SEA (Chairman)

Mr. ZHAO Zhijun (Co-CEO)

Dr. ZHU Huanqiang (Co-CEO)

Independent Non-Executive Directors

Mr. CHU Kin Wang, Peleus

Dr. DU Xiaotang

Mr. WANG Song (resigned as at 17 February 2020)

Mr. LOO Cheng Guan (appointed on 17 February 2020)

Directors' Report *(Continued)***CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION**

As disclosed in the announcement of the Company 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 2020 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 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. According to Article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. As such, Mr. Zhao Zhijun and Mr. Loo Cheng Guan 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. Loo Cheng Guan an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan to be independent.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, 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	379,679,000	7.55%

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 2020, 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 2020 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.



Directors' Report (Continued)

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

As at 31 December 2020, 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	379,679,000 ³	7.55%
Wang Lily ²	Interest of spouse	379,679,000 ³	7.55%
Chuang Yue ⁴	Beneficial owner	666,700,000 ⁶	13.26%
Shenmane.D Co., Limited ⁴	Interest of controlled corporation	666,700,000 ⁶	13.26%
Golden Cloud Co., Limited ⁴	Interest of controlled corporation	666,700,000 ⁶	13.26%
Liu Kun ⁴	Interest of controlled corporation	666,700,000 ⁶	13.26%
Sze Ka Wo ⁵	Other	666,700,000 ⁶	13.26%
Champion Sense Global Limited ⁷	Person having a security interest in shares	666,700,000	13.26%
	Beneficial owner	244,648,318	4.87%
		911,348,318 ⁸	18.13%
Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司) ("Huarong Huaqiao") ⁷	Interest of controlled corporation	911,348,318 ⁸	18.13%
China Huarong Asset Management Co., Ltd. ⁷	Interest of controlled corporation	911,348,318 ⁸	18.13%

Notes:

- Wealth Max is owned as to 100% by Dr. Wilson Sea.
- 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.
- The interests of Wealth Max, Ms. Wang Lily and Dr. Wilson Sea related to the same parcel of Shares.
- Chuang Yue is owned as to 100% by Shenmane.D Co., Limited, which in turn is owned as to 100% by Golden Cloud Co., Limited, and which in turn is owned as to 100% by Mr. Liu Kun. Thus, Shenmane.D Co., Limited, Golden Cloud Co., Limited and Mr. Liu Kun are deemed to be interested in all the Shares held by Chuang Yue under the SFO.
- On 25 May 2020, Mr. Sze Ka Wo was appointed as receiver over 666,700,000 Shares. These Shares are held in his capacity as receiver.
- The interests of Chuang Yue, Shenmane.D Co., Limited, Golden Cloud Co., Limited, Mr. Liu Kun and Mr. Sze Ka Wo related to the same parcel of Shares.

Directors' Report (Continued)

7. 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, 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.

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

Save as disclosed above, as at 31 December 2020, 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 2020 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 2020 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.

Directors' Report (Continued)

CONNECTED TRANSACTION

For the 2020 Financial Year, save as disclosed in this annual report, the Group had no connected transaction and continuing connected transaction which were not exempted under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

DIRECTORS' SERVICE CONTRACTS

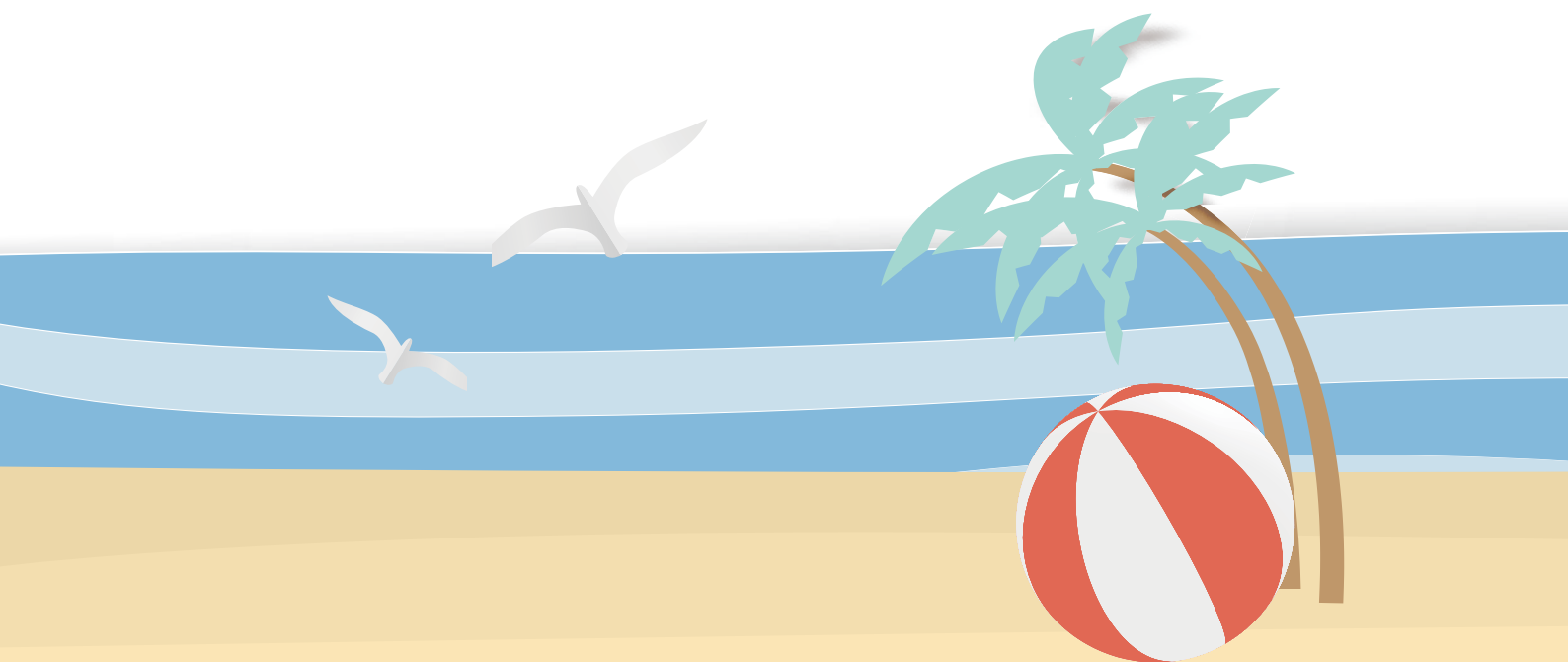
Each of the executive Directors had entered into a service contract with the Company. Details of the service contracts mainly include: (i) a term of directorship for three years with effect from the date of appointment or re-election; and (ii) the contracts shall be terminated according to the terms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

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

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

REMUNERATION OF THE DIRECTORS

Details of the emoluments of each Director for the 2020 Financial Year is set out in the Notes to the Consolidated Financial Statements of this annual report.

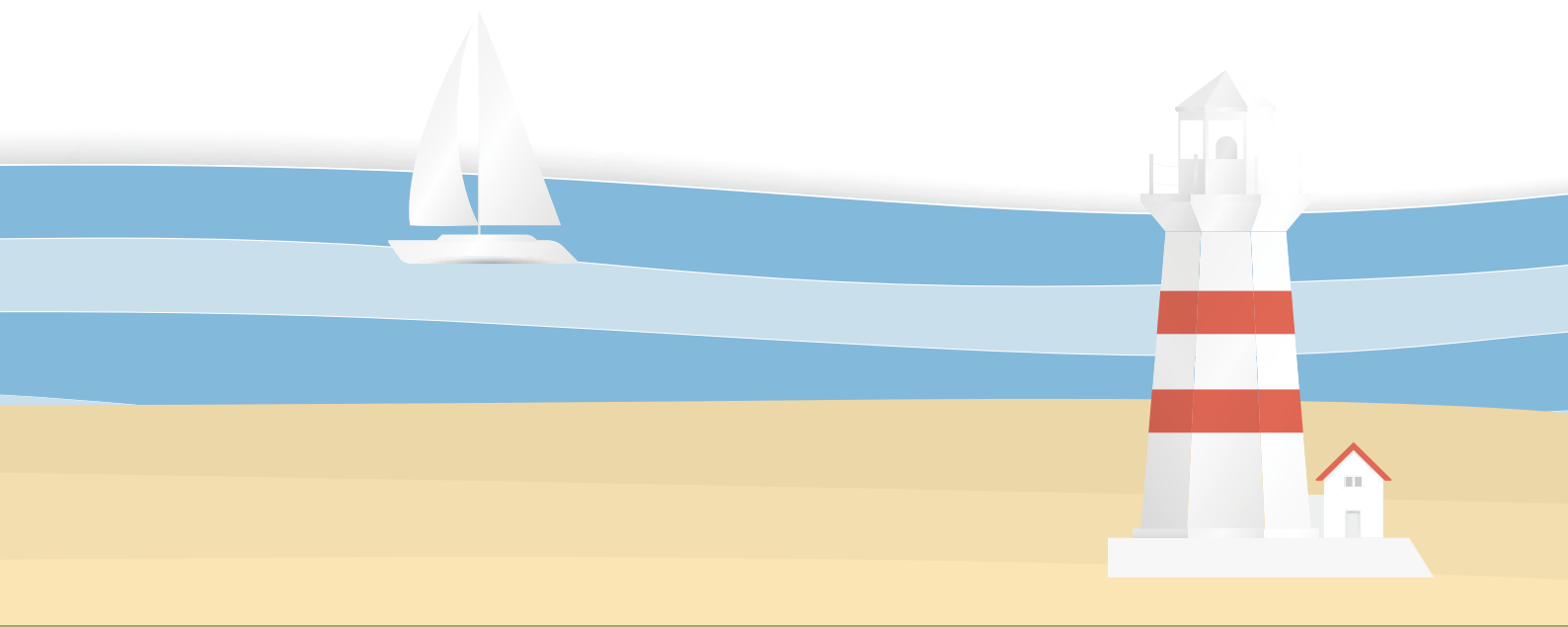


REMUNERATION POLICY

As at 31 December 2020, the Group had 3,611 employees (31 December 2019: 3,896 employees). For the 2020 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB341.3 million (2019: approximately RMB432.1 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution. The remuneration of the Directors is determined based on their job duties and responsibilities, experience and the prevailing market condition.

Pursuant to the Corporate Governance Code provision B.1.5, for the 2020 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 (HK\$'000)	Number of individuals
0 to 500	1
501 to 1,000	1
1,001 to 1,500	5
1,501 to 2,000	0
2,001 to 2,500	0
2,501 to 3,000	2
3,001 to 3,500	0
3,501 to 4,000	0
4,001 to 4,500	0
4,501 to 5,000	0
5,001 to 5,500	0
5,501 to 6,000	1



Directors' Report (Continued)

RETIREMENT SCHEME

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

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

For the 2020 Financial Year, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB13.6 million (2019: approximately RMB51.1 million).

MANAGEMENT CONTRACTS

Other than employment contract with employees of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed with any individual, company or body corporate for the 2020 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 Technology Company Limited* (上海久越信息技術股份有限公司) and Guangzhou Baqiersan Innovation Technology Company Limited* (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 2020 Financial Year, the revenue of Yinghua School amounted to approximately RMB84.3 million (2019: approximately RMB83.5 million). As at 31 December 2020, the total assets of Yinghua School amounted to approximately RMB257.2 million (31 December 2019: approximately RMB302.9 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, FC Education and Yinghua School. Through such contractual arrangements, the Group exercises control over Yinghua School and its financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the aforementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Yinghua School and to engage in the business, the Group will exercise the options under the exclusive option agreement as soon as practicable and the structured contracts shall be terminated.

Directors' Report (*Continued*)**Contractual arrangements in place**

The contractual arrangements that were in place as at 31 December 2020 are as follows:

- (a) the equity pledge agreement entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall pledge all of its equity interest in Jinan Baofei to Jinan WOFE as security for its performance and/or that of Jinan Baofei under the exclusive option agreement and such other agreements as concluded to supplement the aforementioned agreement.
- (b) the shareholders' entrustment letter and authorization letter entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall irrevocably authorise Jinan WOFE to act on its behalf in all matters in relation to its equity interest in Jinan Baofei, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.
- (c) the exclusive option agreement entered into among Jinan WOFE, Jinan Baofei and FC Education, pursuant to which FC Education shall grant Jinan WOFE irrevocable option to acquire all or part of its equity interest in Jinan Baofei.
- (d) the business cooperation agreement entered into between Jinan WOFE, Yinghua School and Jinan Baofei, pursuant to which Yinghua School shall engage Jinan WOFE to provide consultancy services to it, including but not limited to daily management operation, staff training, technology support and marketing strategies.

For the 2020 Financial Year, there was no material fundamental 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 Education, Mr. Zhang Wenbin and Mr. Lin Bingguo, which held 53.3%, 23.35% and 23.35% equity interest in Xishan Education, respectively.

For the 2020 Financial Year, the revenue of Xishan Schools amounted to approximately RMB246.9 million (2019: approximately RMB251.9 million). As at 31 December 2020, the total assets of Xishan Schools amounted to approximately RMB994.3 million (31 December 2019: approximately RMB945.3 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 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* (福州全悅教育諮詢有限公司) ("**Fuzhou WOFU**"), Xishan Education, the registered shareholders of Xishan Education, Fujian Company, Jiangxi Company and Xishan Schools. Through such contractual arrangements, the Group exercises control over Xishan Schools and their financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the aforementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Xishan Schools and to engage in the business, the Group will exercise the options under the exclusive option agreement as soon as practicable and the structured contracts shall be terminated.

Directors' Report (*Continued*)**Contractual arrangements in place**

The contractual arrangements that were in place as at 31 December 2020 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 aforementioned 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 authorise Fuzhou WOFE to act on their behalf in all matters in relation to their respective equity interests in Xishan Education, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.
- (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 aforementioned 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 authorise Fuzhou WOFE to act on its behalf in all matters in relation to its respective equity interests in Fujian Company and Jiangxi Company, among others, attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions.
- (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 service agreement entered into between Fuzhou WOFE and Xishan Group, pursuant to which Xishan Group shall engage Fuzhou WOFE to provide consultancy services to them, including but not limited to daily management operation, staff training, technology support and marketing strategies.

For the 2020 Financial Year, there were no material fundamental 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 any assets, whether tangible or intangible, legitimate interests in the business or revenue of the schools or creation of any encumbrance thereon in any manner.

For the 2020 Financial Year, the revenues of Yinghua School and Xishan Schools accounted for an aggregate of approximately 24.3% (2019: 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.

Directors' Report (Continued)

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the policy of the Group to promote clean operation. The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. A separate 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 2020 Financial Year, the Group's business and operation 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 year ended 31 December 2020, save as disclosed below, to the best of the knowledge and belief of the Directors, the Group had not been involved in any significant legal proceedings or arbitration and there are no significant legal proceedings or claims pending or threatened against the Group.

As disclosed in the Company's announcement dated 30 September 2020, on 28 September 2020, a winding-up petition (the "**Petition**") was presented by a holder of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK\$800,000,000 issued by the Company to the High Court of Hong Kong (the "**High Court**") for the winding up of the Company. The Petition was related to the outstanding principal of the Convertible Bonds and the accrued interest in an aggregate amount of HK\$863,406,849.32. As at the date of this annual report, the hearing of the Petition had been adjourned to 19 April 2021. For further information, please refer to the announcements of the Company dated 30 September 2020, 23 December 2020, 28 December 2020 and 8 February 2021, respectively.

As disclosed in the Company's announcement dated 28 December 2020, the holder of the Convertible Bonds as plaintiff commenced legal action (the "**Action**") against Mr. Tang Mingyang as defendant (the "**Defendant**") for the principal amount of the Convertible Bonds, default interest and costs, all arising out of the Convertible Bonds. Through a third party notice served to the Company on 9 December 2020, the Defendant purported to join Ms. Li Dan, the former Director as the 1st third party and the Company as the 2nd third party to the Action (the "**Third Party Action**") and summons for directions to deal with the Third Party Action was taken out by the Defendant. As at the date of this annual report, the hearing of the summons for directions in relation to the Third Party Action had been adjourned to 12 April 2021. For further information, please refer to the Company's announcements dated 28 December 2020 and 11 February 2021, respectively.

AUDITOR

Deloitte has resigned as the auditor of the Company with effect from 23 December 2020. The Board has resolved to appoint Linksfield as the new auditor of the Company with effect from 23 December 2020 to fill the casual vacancy following the resignation of Deloitte. Linksfield shall hold office until the conclusion of the next AGM pursuant to the Articles of Association. A resolution to re-appoint Linksfield as the auditor of the Company will be proposed for approval by the Shareholders at the forthcoming AGM.

Linksfield does not express an opinion on the consolidated financial statements of the Group for the 2020 Financial Year. For further information, please refer to the Independent Auditor's Report of this annual report.

THE COMPANY'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

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

- (i) the Group has been actively negotiating with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds;
- (ii) the Group has been actively negotiating new sources of financing, such as banks borrowings and placement, etc.;
- (iii) in light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact on the Group's operations from time to time to generate sufficient cash;
- (iv) the Group has implemented measures to speed up the collection of outstanding debts;
- (v) the Group has ongoing communication with its creditors and monitored closely any settlement requests of trade payables. In the opinion of the Directors, it is expected that the Group could further negotiate with its creditors and agree on the settlement agreements, where applicable; and
- (vi) the Group will continue to take active measures to control administrative costs through various channels including human resources optimisation, management remuneration adjustments and containment of capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Directors' Report (Continued)

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2020. They expressed no disagreement with the accounting policies and principles adopted by the Group.

The Audit Committee had reviewed the basis for disclaimer of opinion, the Company's concerning the basis for disclaimer of opinion and measures taken by the Company for addressing the basis for disclaimer of opinion. The Audit Committee agreed with the Company's position. Moreover, the Audit Committee requested the Company to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year. The Audit Committee had also discussed with the auditor of the Company regarding the financial position of the Group, measures taken and to be taken by the Company, and considered its rationale and understood its consideration in arriving the disclaimer of opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Wednesday, 9 June 2021. 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 Friday, 4 June 2021 to Wednesday, 9 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 June 2021, for registration.

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

The annual report of the Company for the 2020 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.

Directors' Report (Continued)

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 EVENT

Change of address of principal share registrar and transfer office in the Cayman Islands

With effect from 1 March 2021, the address of Suntera (Cayman) Limited, the Cayman Islands principal share registrar and transfer office of the Company was changed to Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. For further information, please refer to the announcement of the Company dated 1 March 2021.

APPRECIATION

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

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

Hong Kong
30 March 2021

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 practises serve its long-term interests and those of its Shareholders.

CORPORATE GOVERNANCE PRACTISES

For the 2020 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 practises of the Company to ensure its continuous compliance with the Corporate Governance Code and make appropriate changes if considered necessary. For the 2020 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 2020 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 executive Directors and INEDs. As at the date of this annual report, the composition of the Board and Board committees are as follows:

Directors	Board Committees				
	Audit Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Risk Management Committee
Executive Directors					
Dr. Wilson SEA (<i>Chairman</i>)		C		C	C
Mr. ZHAO Zhijun (<i>Co-CEO</i>)			M	M	
Dr. ZHU Huanqiang (<i>Co-CEO</i>)				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

Corporate Governance Report (Continued)

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 cheques 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 adviser, 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 2020 Financial Year, the Company provided training material to the Directors covering various topics relating to as Listing Rules and the SFO. All Directors (being Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang, Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan) received directors' training.

For the 2020 Financial Year, the Board also (i) developed and reviewed the Company's policies and practises 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.

Corporate Governance Report (Continued)

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

Board members are provided with complete, adequate and timely information to allow the Directors to fulfil 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 Nomination Committee, the Remuneration Committee, the Strategy Committee, the Risk Management Committee, the Chairman and INEDs meeting and the general meeting for the 2020 Financial Year are set out in the following table:

Directors	Meetings attended/Meetings held							
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Risk Management Committee	Chairman and INEDs meeting	General meeting
Executive Directors								
Dr. Wilson SEA (Chairman)	8/10	N/A	2/2	N/A	1/1	1/1	1/1	1/1
Mr. ZHAO Zhijun (Co-CEO)	7/10	N/A	N/A	2/3	0/1	N/A	N/A	1/1
Dr. ZHU Huanqiang (Co-CEO)	10/10	N/A	N/A	N/A	1/1	1/1	N/A	1/1
Independent Non-Executive Directors								
Mr. CHU Kin Wang, Peleus	10/10	5/5	2/2	3/3	N/A	1/1	1/1	1/1
Dr. DU Xiaotang	9/10	5/5	N/A	3/3	N/A	N/A	1/1	1/1
Mr. WANG Song (resigned as at 17 February 2020)	2/2	0/0	1/1	1/1	0/0	N/A	0/0	0/0
Mr. LOO Cheng Guan (appointed on 17 February 2020)	8/8	5/5	1/1	N/A	1/1	N/A	1/1	1/1

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Company 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, and 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 2020 Financial Year, five meetings of the Audit Committee were held. The Audit Committee has, among 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 Linkfield 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 2020 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group.

For the 2020 Financial Year, the predecessor auditor of the Company, Deloitte, provided non-audit services, including interim review services. The total fees paid/payable in respect of the services by the Company amounted to approximately RMB1,631,000, of which approximately RMB1,604,000 was related to the interim review services. The Audit Committee considers that the provision of non-audit services by Deloitte does not impair their judgement and independence for the audit acting in the capacity as the auditor of the Company.

For the 2020 Financial Year, the auditor of the Company, Linkfield, provided annual audit services. The total fees paid/payable in respect of the services by the Company amounted to approximately RMB2,495,000.

Corporate Governance Report (Continued)

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, and 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 2020 Financial Year, two 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. Loo Cheng Guan, reviewed the size, structure and composition of the Board and recommended to the Board the Directors who will retire and, being eligible, offer themselves for re-election at the AGM 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 candidates, (v) the requirement for the Board to have INEDs in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the requirements under the Listing Rules, (vi) the board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board, which including but not limited to 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.

The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board and the Nomination Committee will continue to review the Board composition from time to time taking into consideration specific needs for the Group's business and opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Corporate Governance Report (Continued)

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, and Dr. Du Xiaotang is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for making recommendations to the Board, 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 2020 Financial Year, three 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 written terms of reference published on the websites of the Company. 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, and Dr. Wilson Sea is the chairman of the Strategy Committee.

The Strategy Committee aimed to adapt the needs of the strategic development of the Group, 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 optimise the governance structure.

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

For the 2020 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 written terms of reference published on the websites of the Stock Exchange and the Company. 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, and Dr. Wilson Sea is the chairman of the Risk Management Committee.

Corporate Governance Report *(Continued)*

The Risk Management Committee aimed to assist the Board in (i) deciding the risk level and risk appetite of the Group; (ii) considering the Group's risk management, internal control systems, environmental, social and governance strategies and giving directions where appropriate; and (iii) reviewing effectiveness of the Group's internal audit function to ensure 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 Risk Management Committee holds a meeting at least once a year.

For the 2020 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 authorised 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 fulfil the fiduciary duties and duties of skill, care and diligence would be recommended to the Board.

Each of the executive Directors was appointed for an initial term of three years and each service contract shall 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 or, if their number is not a multiple of three, the number nearest to but no less than one-third, shall be subject to retirement by rotation and re-election by the Shareholders, every Directors shall be subject to retirement at an AGM at least once every three year. 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 2020 Financial Year.

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

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 different functions of the business of the Group. The INEDs attend the Board meetings and give their opinions on the business strategy of the Group and review the financial and operation performance of the Group.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the 2020 Financial Year.

The Company has also adopted the Model Code as the code of conduct for securities transactions by relevant employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries or the holding companies who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities. Having made specific enquiries to the relevant employees, they have confirmed their compliance with the required standards set out in the Model Code for the 2020 Financial Year.

Corporate Governance Report (Continued)

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

To ensure a balance of power and authority, the roles of the Chairman and the Co-CEO are segregated and not exercised by the same individual. The Board is led by the Chairman, Dr. Wilson Sea. He is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. 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 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 2020 Financial Year.

MANAGEMENT FUNCTION

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

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the Group's financial statements for the 2020 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. Directors are provided with adequate information to enable them to make an informed assessment of financial and other information on matters for their approval.

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

Risk management and internal control

The Group has in place the sound and effective internal controls to safeguard the Shareholders' interest 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.

Corporate Governance Report (Continued)

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 prioritises the identified risks according to a set of standard criteria. Risk mitigation plans are established and risk responsible persons are appointed for those significant risks.

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

For the 2020 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.

Corporate Governance Report (Continued)

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

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

Corporate Governance Report (Continued)

The Board maintains an on-going dialogue with the Shareholders through general meetings of the Company to communicate with the Shareholders. All Directors (including the Chairman) 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 2020 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.

Independent Auditor's Report





Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA FIRST CAPITAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China First Capital Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 85 to 227, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 2.1.1 to the consolidated financial statements, the Group reported a loss attributable to owners of the Company of approximately RMB374 million for the year ended 31 December 2020. As at 31 December 2020, the Group had accumulated losses of approximately RMB4,013 million and the Group's current liabilities exceeded its current assets by approximately RMB795 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,295 million, of which the total current borrowings and convertible bonds amounted to approximately RMB1,917 million, while its bank balances and cash amounted to approximately RMB207 million only. In addition, during the year ended 31 December 2020, the Group was in default to redeem the convertible bonds with principal amount of HK\$800 million and a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK\$863 million (equivalent to approximately RMB727 million). As at 31 December 2020, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB752 million and were classified as current liabilities. These conditions, together with other matters described in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds, including those with overdue principals and interests; (ii) to successfully obtain additional new sources of financing as and when needed; (iii) to successfully manage the impact of the COVID-19 outbreak on the Group's operations from time to time to generate sufficient cash flow; (iv) to successfully collect certain debts of the Group in accordance with the repayment schedules agreed with the relevant debtors; and (v) the successful agreement with creditors of the Group on extending settlement arrangements where applicable.

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

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Linkfield CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	1,361,213	1,436,037
Cost of sales/services		(1,045,367)	(1,075,822)
Gross profit		315,846	360,215
Other income and expenses	7	63,615	99,412
Other losses, net	8	(16,021)	(1,047,086)
Expected credit losses ("ECL"), net of reversal		(103,176)	(196,937)
Impairment losses on goodwill, tangible and intangible assets		(48,467)	(271,395)
Impairment losses on interests in joint ventures	18	(15,183)	–
Selling and distribution expenses		(63,055)	(125,759)
Research and development expenditure		(53,992)	(51,327)
Administrative expenses		(269,470)	(343,317)
Operating losses		(189,903)	(1,576,194)
Finance costs	11	(217,449)	(285,991)
Share of results of associates	17	(1,345)	1,231
Share of results of joint ventures	18	10,856	(397,737)
Loss before income tax	9	(397,841)	(2,258,691)
Income tax (expense)/credit	12	(4,387)	1,491
Loss for the year		(402,228)	(2,257,200)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(99,754)	69,528
Other comprehensive (loss)/income for the year, net of income tax		(99,754)	69,528
Total comprehensive loss for the year		(501,982)	(2,187,672)
Loss for the year attributable to:			
– Owners of the Company		(373,724)	(2,187,830)
– Non-controlling interests		(28,504)	(69,370)
		(402,228)	(2,257,200)
Loss per share attributable to owners of the Company	14		
– Basic (RMB)		(0.07)	(0.44)
– Diluted (RMB)		(0.07)	(0.44)

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	938,054	1,001,848
Right-of-use assets	16(i)	256,440	300,322
Interests in associates	17	5,601	7,134
Interests in joint ventures	18	237,906	571,887
Intangible assets	19	281,799	341,359
Goodwill	20	275,103	323,571
Financial assets measured at fair value through profit or loss ("FVTPL")	22	–	90,046
Trade and other receivables	23	27,255	114,216
Loan and interest receivables	26	16,346	–
Contingent consideration receivables	37(a)	7,759	–
Amounts due from joint ventures	24	–	36,376
		2,046,263	2,786,759
Current assets			
Inventories	25	93,399	205,115
Amounts due from joint ventures	24	203,728	220,151
Amount due from an associate	17(e)	98,632	–
Trade and other receivables	23	886,693	902,665
Loan and interest receivables	26	57,224	95,055
Financial assets measured at FVTPL	22	692,345	870,656
Security account balances	27	18,608	19,557
Restricted bank balances	28	150,882	481,029
Bank balances and cash	28	207,451	231,606
		2,408,962	3,025,834
Total assets		4,455,225	5,812,593

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	29	137	142
Borrowings – due after one year	30	378,206	572,960
Lease liabilities	16(ii)	22,157	22,419
Deferred income	32	47,051	53,290
Contract liabilities	5(iv)	169,043	164,858
Contingent consideration payables	34	–	61,647
Long term payables	35	24,352	31,728
Deferred tax liabilities	21	88,853	102,034
		729,799	1,009,078
Current liabilities			
Trade and other payables	29	960,380	1,430,475
Amount due to an associate	17(e)	6,631	–
Amount due to a joint venture	24	1,903	–
Borrowings – due within one year	30	1,165,453	1,236,845
Convertible bonds	31	751,692	721,925
Lease liabilities	16(ii)	7,744	13,686
Income tax payable		93,002	89,603
Deferred income	32	7,594	5,745
Contract liabilities	5(iv)	179,652	221,039
Provisions	33	30,033	24,149
		3,204,084	3,743,467
Total liabilities		3,933,883	4,752,545
Net current liabilities		(795,122)	(717,633)
Total assets less current liabilities		1,251,141	2,069,126
Net assets		521,342	1,060,048

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
OWNERS' EQUITY			
Share capital	36	84,283	84,283
Reserves		109,014	578,424
Equity attributable to:			
Owners of the Company		193,297	662,707
Non-controlling interests		328,045	397,341
Total equity		521,342	1,060,048

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

The consolidated financial statements on pages 85 to 227 were approved by the board of directors of the Company on 30 March 2021 and were signed on its behalf.

Dr. Wilson SEA
Director

Dr. ZHU Huanqiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to the owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Surplus reserve	Share option reserve	Translation reserve	Development reserve	Accumulated losses	Sub-Total		
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	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)
Other comprehensive income											
Exchange difference on translation of foreign operation	-	-	-	-	-	59,667	-	-	59,667	9,861	69,528
Total comprehensive income/(loss) for the year	-	-	-	-	-	59,667	-	(2,187,830)	(2,128,163)	(59,509)	(2,187,672)
Disposal of a non-wholly owned subsidiary (Note 37)	-	-	-	-	-	-	-	-	-	(124,873)	(124,873)
Partial disposal of a non-wholly owned subsidiary	-	-	27,821	-	-	-	-	-	27,821	4,600	32,421
Appropriation	-	-	-	-	-	-	8,561	(8,561)	-	-	-
Balance 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 2020

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Surplus reserve	Share option reserve	Translation reserve	Development reserve	Accumulated losses		
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	84,283	4,036,480	70,738	40,628	-	38,181	31,348	(3,638,951)	578,424	1,060,048
Loss for the year	-	-	-	-	-	-	-	(373,724)	(373,724)	(402,228)
Other comprehensive (loss)/income										
Exchange difference on translation of foreign operation	-	-	-	-	-	(100,046)	-	-	(100,046)	(99,754)
Total comprehensive loss for the year	-	-	-	-	-	(100,046)	-	(373,724)	(473,770)	(501,982)
Share-based payment (Note 42)	-	-	-	-	4,360	-	-	-	4,360	4,360
Non-controlling interest on acquisition of funds	-	-	-	-	-	-	-	-	27,078	27,078
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	-	-	2,630	2,630
Non-controlling interest on disposal of subsidiaries	-	-	-	-	-	-	-	-	(82,792)	(82,792)
Partial disposal in a subsidiary without change of control	-	-	-	-	-	-	-	-	12,000	12,000
Balance at 31 December 2020	84,283	4,036,480	70,738	40,628	4,360	(61,865)	31,348	(4,012,675)	109,014	521,342

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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020

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.
- (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.

[#] 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).

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operating activities	41(a)	316,480	6,291
Income tax paid		(2,351)	(2,143)
Net cash generated from operating activities		314,129	4,148
Cash flows from investing activities			
Additions of property, plant and equipment	15	(104,929)	(160,537)
Payments for acquisition of intangible assets	19	(14,950)	(41,327)
Investment in an associate		—	(6,300)
Advances of loan receivables		—	(43,709)
Receipt of repayments of loan receivables		—	435,138
Advances to joint ventures		—	(492,280)
Grants received in relation to acquisition of property, plant and equipment and interest-free loans		—	21,115
Interest received		35,377	104,192
Dividends received from financial assets measured at FVTPL		11,925	39,756
Proceeds from liquidation of a joint venture		—	194
Proceeds from liquidation of a sub-fund held by a joint venture		—	54,174
Proceeds from partial disposal of a subsidiary without losing control		12,000	—
Repayments from non-controlling shareholders of subsidiaries		—	66,942
Net cash inflows upon disposal of Kaifeng Tiantai Culture Media Limited* (開封天泰文化傳媒有限公司) ("Tiantai Culture")		—	162,766
Net cash inflows upon disposal of Yunnan First Capital Education Management Company Limited* (雲南首控教育管理有限公司) ("FC Yunnan")		—	228,862
Net cash outflows from disposal of a subsidiary – Stirling Coleman Capital Limited ("Stirling Coleman")	37(a)	(9,421)	—
Net cash inflows from disposal of a subsidiary – Nanyang Way Assuato Automobile Absorber Company Limited* (南陽威奧斯圖車輛減振器有限公司) ("Nanyang Way Assuato")	37(b)	83	—
Net cash outflows from acquisition of a joint venture – Wuxi Guolian First Capital Equity Investment Fund Centers (Limited Partnership)* (無錫國聯首控股權投資基金中心(有限合夥)) ("FC Guolian")	37(c)	(584)	—
Net cash outflows from acquisition of a joint venture – Wuxi First Capital Lianxin Investment Center (Limited Partnership)* (無錫首控聯信投資中心(有限合夥)) ("FC Lianxin")	37(d)	(347)	—
Proceeds from disposal of property, plant and equipment		8,228	19,098
Payments for rental deposits		—	(1,371)
Purchase of financial assets measured at FVTPL		(2,189)	(68,194)
Proceeds from disposal of financial assets measured at FVTPL		198,986	779,413
Placement of restricted bank deposits		—	(252,055)
Release of restricted bank deposits		—	382,075
Payments for settlement of contingent consideration payables	34	(64,328)	(107,335)
Net cash generated from investing activities		69,851	1,120,617

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Interest paid		(103,879)	(243,851)
Principal elements of lease payments		(14,083)	(13,604)
Interest elements of lease payments		(542)	(840)
New long term payables raised		–	6,747
New borrowings raised		184,640	2,852,777
Repayment of borrowings		(447,500)	(3,758,927)
Repayment to a joint venture		–	(26,656)
Repayment of advance in respect of transfer of equity interest in a subsidiary		–	(20,283)
Repayment to holder of convertible bonds	31	(26,730)	–
Net cash used in financing activities		(408,094)	(1,204,637)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		251,163	320,292
Effect of foreign exchange rate changes		(990)	10,743
Cash and cash equivalents at end of year	28	226,059	251,163

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 43(a).

These consolidated financial statements are presented in thousands of units of Renminbi (“**RMB’000**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company on 30 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a material portion of the education operation 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) and Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) (collectively the “**WOFEs**”), have entered into contractual arrangements (the “**Contractual Arrangements**”) with the School Sponsor and their equity holders, respectively, which enable the Group to:

- 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;

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- 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 and their respective subsidiaries obligations under the Contractual Arrangements.

The schools includes: Fuqing Xishan School* (福清西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan School* (江西省西山學校) and Xishan Education Group* (西山教育集團) (collectively referred to as “**Xishan Schools**”), and Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校).

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 Consolidated Affiliated Entities shown in their financial statements before elimination of the inter-company balances are set out in Note 43(b).

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.1 Basis of preparation *(Continued)*****2.1.1 Going concern**

For the year ended 31 December 2020, the Group reported a loss attributable to owners of the Company of approximately RMB374 million (2019: approximately RMB2,188 million). As at 31 December 2020, the Group had accumulated losses of approximately RMB4,013 million (2019: approximately RMB3,639 million) and the Group's current liabilities exceeded its current assets by approximately RMB795 million (2019: approximately RMB718 million). As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,295 million (2019: approximately RMB2,532 million), of which the total current borrowings and convertible bonds amounted to approximately RMB1,917 million (2019: approximately RMB1,959 million), while its bank balances and cash amounted to approximately RMB207 million (2019: approximately RMB232 million) only.

During the year ended 31 December 2020, the Group was in default to redeem the convertible bonds with principal amount of HK\$800 million and a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK\$863 million (equivalent to approximately RMB727 million). As at 31 December 2020, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB752 million and were classified as current liabilities.

The Group is in active negotiation with the holder of the convertible bonds for renewal and extension of the convertible bonds and the Directors are confident that agreements will be reached in due course.

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.1 Basis of preparation *(Continued)*****2.1.1 Going concern *(Continued)***

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

- (i) The Group has been actively negotiating with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds;
- (ii) The Group has been actively negotiating new sources of financing, such as banks borrowings, placement and etc;
- (iii) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact on the Group's operations from time to time to generate sufficient cash;
- (iv) The Group has implemented measures to speed up the collection of outstanding debts;
- (v) The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement agreements, where applicable; and
- (vi) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.1 Basis of preparation *(Continued)***2.1.1 Going concern *(Continued)***

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

- (i) Successful negotiations with the holder of the convertible bonds for the renewal of or extension for repayments of outstanding convertible bonds, including those with overdue principals and interests;
- (ii) To successfully obtain additional new sources of financing as and when needed;
- (iii) To successfully manage the impact of COVID-19 outbreak on the Group's operations from time to time to generate sufficient cash;
- (iv) To successfully collect certain debts of the Group in accordance with the repayment schedules agreed with them; and
- (v) Successful agreement with creditors of the Group on extending settlement arrangements where applicable.

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.1 Basis of preparation *(Continued)*****2.1.2 Changes in accounting policy and disclosures****(a) New and amended standards adopted by the Group**

The Group has applied the following new and amendments to HKFRSs and new interpretation issued by the HKICPA for the first time in the current year:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

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

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

Notes:

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new standards and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.2 Principles of consolidation and equity accounting****(i) Subsidiaries**

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.2 Principles of consolidation and equity accounting *(Continued)*****(iv) Equity method**

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

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

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

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

(v) Changes in ownership interests

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.3 Business combinations *(Continued)***

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.4 Separate financial statements**

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

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

2.5 Segment reporting

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

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

2.6 Foreign currency translation**(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.6 Foreign currency translation *(Continued)*****(ii) Transactions and balances *(Continued)***

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

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

(iii) Group companies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.7 Property, plant and equipment *(Continued)***

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

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

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

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

2.8 Intangible assets**(i) Goodwill**

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

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

(ii) Trademarks, licences and customer contracts

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.8 Intangible assets *(Continued)***(iii) Software**

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

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

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

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

(iv) Research and development

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

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(v) Amortisation methods and periods

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

Except that the student roster and brand 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	10 years
Financial business brand	10 years

2.9 Impairment of non-financial assets

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.10 Non-current assets (or disposal groups) held for sale and discontinued operations *(Continued)***

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

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

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

2.11 Investments and other financial assets**(i) Classification**

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.11 Investments and other financial assets *(Continued)*****(ii) Recognition and derecognition**

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

(iii) Measurement

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

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

Debt instruments

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

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.11 Investments and other financial assets *(Continued)***(iii) Measurement *(Continued)*****Debt instruments *(Continued)***

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

Equity instruments

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

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

(v) Impairment

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.12 Financial liabilities****(a) Recognition and measurement**

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

(b) Derecognition

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

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

2.13 Offsetting financial instruments

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.14 Inventories**

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

2.15 Trade receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade payables

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.19 Borrowings**

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

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

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

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

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

2.20 Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.21 Compound financial instruments**

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

At the date of issue, the 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.

2.22 Current and deferred income tax

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

Current income tax

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.22 Current and deferred income tax *(Continued)***Deferred income tax**

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits

(i) Short-term obligations

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

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

(ii) Retirement benefit costs

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

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

2.24 Provisions

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.25 Revenue recognition**

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.25 Revenue recognition *(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.

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.25 Revenue recognition *(Continued)***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.

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.

Notes to the Consolidated Financial Statements *(Continued)*2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Leases

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

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.27 Leases *(Continued)***

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.27 Leases *(Continued)***

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

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

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

2.28 Government grant

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

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

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

2.29 Interest income

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

Notes to the Consolidated Financial Statements *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*****2.30 Share-based payments**

Share-based compensation benefits are provided to employees via the share option scheme. Information relating to the scheme is set out in Note 42.

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

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

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The 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.

(a) Market risk**(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.

Notes to the Consolidated Financial Statements *(Continued)*3 FINANCIAL RISK MANAGEMENT *(Continued)*3.1 Financial risk factors *(Continued)***(a) Market risk *(Continued)*****(i) Interest rate risk *(Continued)***

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 2020 would have decreased/increased by approximately RMB378,000 (2019: RMB585,000).

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 2020 would have increased/decreased by approximately RMB415,000 (2019: RMB22,000).

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

(ii) Currency risk

The Group hold monetary assets or liabilities denominated in foreign currencies, which can be affected by currency fluctuations and expose to currency risks.

As at 31 December 2020, if the functional currencies of the respective group entities had weakened/strengthened by 5% (2019: 5%) against the foreign currencies, with all other variables held constant, post-tax loss for the year would have been approximately RMB7,464,000 (2019: RMB107,185,000) lower/higher, mainly as a result of foreign exchange losses/gains on the financial assets and liabilities that are denominated in foreign currencies. 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.

Notes to the Consolidated Financial Statements *(Continued)***3 FINANCIAL RISK MANAGEMENT *(Continued)*****3.1 Financial risk factors *(Continued)*****(a) Market risk *(Continued)*****(iii) Price risk**

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

If the benchmark index, Hang Seng index, had been 23% (2019: 5%) higher/lower, post-tax loss for the year ended 31 December 2020 would have decreased/increased by RMB135,844,000 (2019: RMB38,741,000). The analysis is based on the assumptions that the benchmark index increased/decreased with all other variables held constant and that the Group's investment portfolio moved according to the volatility of the Hang Seng index. The Group does not manage price risk with reference to any market index. The benchmark index used above is for guidance and performance comparison only. In practice, the actual trading results may differ from the sensitivity analysis above and the difference could be material.

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

(b) Credit risk

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 2020, under the automotive parts business, the Group had concentration of credit risk on trade receivables as 69.3% (2019: 57.6%) of total trade receivables were due from top 10 customers. Among which, the balance of the top 1 customer accounts for 17.7% (2019: 15.3%) 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 2020 and 2019.

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.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (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 associates and joint ventures/security account balances/restricted bank balances/bank balances and cash

For other receivables and amounts due from associates and 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 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.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (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)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (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 2020 Before ECL RMB'000	After ECL RMB'000
Financial assets at amortised cost					
Pledged bank deposits	AA	N/A	12-month ECL	150,882	150,882
Bank balances	AA+	N/A	12-month ECL	207,451	207,451
Amounts due from joint ventures	N/A	N/A	12-month ECL	204,153	203,728
Bill receivables	N/A	N/A	Lifetime ECL (not credit-impaired)	94,105	94,105
Other receivables	N/A	Low risk	12-month ECL (not credit-impaired)	59,253	59,047
		Watch list	12-month ECL (not credit-impaired)	129,193	69,033
		Loss	Credit-impaired	37,668	–
Trade receivables	N/A	N/A	Lifetime ECL (not credit-impaired)	459,697	455,023
		N/A	Credit-impaired	32,559	4,739
Loan and interest receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	70,954	67,280
		Watch list	Lifetime ECL (not credit-impaired)	8,229	6,290
		Loss	Credit-impaired	225,519	–

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (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 at 31 December 2019	
				Before ECL RMB'000	After ECL RMB'000
Financial assets at amortised cost					
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	12-month ECL (not credit-impaired)	279,456	279,324
		Watch list	12-month ECL (not credit-impaired)	135,127	110,149
		Loss	Credit-impaired	14,106	–
Trade receivables	N/A	N/A	Lifetime ECL (not credit-impaired)	393,607	385,319
		N/A	Credit-impaired	41,766	–
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	–

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The following table summarises the average loss rate of trade receivable under “Not credit-impaired” and “Credit-impaired” categories:

	31 December 2020			31 December 2019		
	Average loss rate	Trade receivables RMB'000	ECL RMB'000	Average loss rate	Trade receivables RMB'000	ECL RMB'000
Not credit-impaired	1.02%	459,697	4,674	2.11%	393,607	8,288
Credit-impaired	85.44%	32,559	27,820	100.00%	41,766	41,766
		492,256	32,494		435,373	50,054

The estimate 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 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.

The following table summarises the average loss rate of loan and interest receivables under each staging category:

	31 December 2020			31 December 2019		
Internal credit rating	Average loss rate	Loan and interest receivables RMB'000	ECL RMB'000	Average loss rate	Loan and interest receivables RMB'000	ECL RMB'000
Low risk	5.18%	70,954	3,674	4.68%	33,019	1,544
Watch list	23.56%	8,229	1,939	8.10%	69,182	5,602
Loss	100.00%	225,519	225,519	100.00%	161,416	161,416
		304,702	231,132		263,617	168,562

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The following table summarises the average loss rate of other receivables under each staging category:

Internal credit rating	31 December 2020			31 December 2019		
	Average loss rate	Other receivables RMB'000	ECL RMB'000	Average loss rate	Other receivables RMB'000	ECL RMB'000
Low risk	0.35%	59,253	206	0.05%	279,456	132
Watch list	46.57%	129,193	60,160	18.48%	135,127	24,978
Loss	100.00%	37,668	37,668	100.00%	14,106	14,106
		226,114	98,034		428,689	39,216

Movements in the provision for ECL are as follows:

2020	Trade receivables RMB'000	Other receivables RMB'000	Loan and interest receivables RMB'000	Amounts due from joint ventures RMB'000	Total RMB'000
Balance as at 1 January	50,054	39,216	168,562	13,532	271,364
Written off	–	–	–	(13,532)	(13,532)
Reversal of ECL	(17,560)	–	–	–	(17,560)
Provision for the year	–	57,741	62,570	425	120,736
Exchange alignment	–	1,077	–	–	1,077
Balance as at 31 December	32,494	98,034	231,132	425	362,085

2019	Trade receivables RMB'000	Other receivables RMB'000	Loan and interest receivables RMB'000	Amounts due from joint ventures RMB'000	Total RMB'000
Balance as at 1 January	17,534	–	57,220	–	74,754
Reversal of ECL	(8,596)	–	(29,040)	–	(37,636)
Provision for the year	41,116	39,216	140,709	13,532	234,573
Exchange alignment	–	–	(327)	–	(327)
Balance as at 31 December	50,054	39,216	168,562	13,532	271,364

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

As of 31 December 2020, the Group recorded net current liabilities of RMB795,122,000.

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.

	Within one year RMB'000	One to two years RMB'000	Two to five years RMB'000	Over five years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Trade and other payables	960,380	137	–	–	960,517	960,517
Borrowings	831,095	409,576	261,712	122,906	1,625,289	1,543,659
Long term payables	–	1,146	7,140	16,066	24,352	24,352
Convertible bonds	751,692	–	–	–	751,692	751,692
Lease liabilities	8,716	6,063	6,418	22,650	43,847	29,901
	2,551,883	416,922	275,270	161,622	3,405,697	3,310,121
As at 31 December 2019						
Trade and other payables	1,192,401	72	90	–	1,192,563	1,192,458
Borrowings	1,289,958	260,405	210,977	135,928	1,897,268	1,809,805
Long term payables	3,460	3,220	14,740	11,764	33,184	31,728
Convertible bonds	721,925	–	–	–	721,925	721,925
Lease liabilities	15,546	8,911	3,774	23,327	51,558	36,105
Contingent consideration payables	–	–	61,647	–	61,647	61,647
	3,223,290	272,608	291,228	171,019	3,958,145	3,853,668

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) 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 “within one year” 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.

	Within one year RMB'000	One to two years RMB'000	Two to five years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020	49,713	203,698	–	253,411	240,000
As at 31 December 2019	9,431	9,405	229,405	248,241	220,000

3.2 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 raising of new capital as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

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

The gearing ratios at 31 December 2020 and 2019 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank and other borrowings	1,543,659	1,809,805
Convertible bonds	751,692	721,925
	2,295,351	2,531,730
Less: Bank balances and cash	(207,451)	(231,606)
Net debts	2,087,900	2,300,124
Total equity	521,342	1,060,048
Total capital	2,609,242	3,360,172
Gearing ratio	80%	68%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the fair value hierarchy of the Group's financial assets and liabilities that were measured at fair value at 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2020				
Assets				
Financial assets measured at FVTPL				
– listed securities	585,620	–	–	585,620
– financial product (quoted by the financial institution)	–	15,659	–	15,659
– equity investments (unlisted company)	–	–	91,066	91,066
– contingent consideration receivables	–	–	7,759	7,759
	585,620	15,659	98,825	700,104
At 31 December 2019				
Assets				
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
Liabilities				
Contingent consideration payables (Note 34)	–	(61,647)	–	(61,647)

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

Specific valuation techniques used to value financial instruments include:

Financial assets/ (financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	31 December	31 December			
	2020	2019			
	RMB'000	RMB'000			
Financial assets measured at FVTPL – equity investments (unlisted company)	23,109	274,774	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments.	P/S Multiples of 0.66 and 11.81 (2019: P/E Multiple of 30.92; P/S Multiple of 3.33)
Financial assets measured at FVTPL – equity investments (unlisted company)	67,957	–	Level 3	Recent transactions	N/A
Contingent consideration receivable	7,759	–	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the consideration receivable from the partial disposal of Stirling Coleman.	P/B Multiple of 1.04; P/S Multiple of 3.15 (2019: N/A)

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications.

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2020 and 2019.

	Financial assets measured at FVTPL-equity investments RMB'000	Contingent consideration receivables RMB'000	Embedded derivatives component of convertible bonds RMB'000	Contingent consideration payables RMB'000
At 1 January 2019	323,947	–	(13,373)	(116,888)
Additions	6,890	–	–	–
Fair value (losses)/gains recognised in consolidated profit or loss	(56,063)	–	13,373	70,794
Transfer to other payables	–	–	–	13,666
Obligation discharged	–	–	–	32,421
Exchange realignment	–	–	–	7
At 31 December 2019 and 1 January 2020	274,774	–	–	–
Additions	59,475	7,759	–	–
Disposal	(138,249)	–	–	–
Fair value losses recognised in consolidated profit or loss	(104,934)	–	–	–
At 31 December 2020	91,066	7,759	–	–

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Sensitivity analysis of observable and unobservable inputs

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

Description	Fair value at 31 December		Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2020	2019				2020	2019
	RMB'000	RMB'000				RMB'000	RMB'000
Financial assets measured at FVTPL							
– Unlisted equity	19,413	78,254	Market comparable	P/S multiples	0.66	+/- 5% +/- 970	N/A
– Unlisted equity	3,696	11,980	Market comparable	P/S multiples	11.81	+/- 5% +/- 185	N/A
– Contingent consideration receivable	7,759	–	Market comparable	P/S multiples	3.15	+/- 5% +/- 388	N/A

Notes to the Consolidated Financial Statements (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(i) 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 education operation 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.

Notes to the Consolidated Financial Statements (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(ii) 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 2020, the carrying amount, before impairment, of goodwill and intangible assets with indefinite useful lives were RMB611,120,000 (2019: RMB611,120,000) and 100,126,000 (2019: RMB161,302,000), respectively. During the year ended 31 December 2020, impairment losses of RMB48,467,000 (2019: RMB245,449,000) and nil (2019: RMB22,958,000) 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 Notes 20 and 19, respectively.

(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 2020, the carrying amounts of loan and interest receivables are RMB73,570,000 (2019: RMB95,055,000). During the year ended 31 December 2020, impairment losses of RMB62,570,000 (2019: RMB111,669,000) were recognised.

Notes to the Consolidated Financial Statements *(Continued)*4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*(ii) 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 2020, the carrying amounts of trade receivables are RMB459,762,000 (2019: RMB385,319,000). During the year ended 31 December 2020, a reversal of impairment losses of RMB17,560,000 (2019: impairment loss of RMB32,520,000) was recognised.

(d) Valuation of financial instruments

The fair values for certain financial instruments, including financial assets measured at FVTPL (Note 22), contingent consideration receivables, and contingent consideration payables (Note 34) 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 2020, the carrying amount of financial assets measured at FVTPL, contingent consideration receivables, and contingent consideration payables amounted to RMB692,345,000 (2019: RMB960,702,000), RMB7,759,000 (2019: Nil), and nil (2019: RMB61,647,000) respectively.

Notes to the Consolidated Financial Statements *(Continued)*4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*(ii) Key sources of estimation uncertainty *(Continued)***(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 2020, the carrying amount of property, plant and equipment amounted to RMB938,054,000 (2019: RMB1,001,848,000).

(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 2020, the carrying amount of provision for warranty amounted to RMB30,033,000 (2019: RMB24,149,000).

(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 2020, the carrying amount of inventories amounted to RMB93,399,000 (2019: RMB205,115,000). During the year ended 31 December 2020, a provision of RMB5,261,000 (2019: a net reversal of provision for RMB10,358,000) for obsolete and slow-moving inventories was recognised.

Notes to the Consolidated Financial Statements *(Continued)*4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*(ii) Key sources of estimation uncertainty *(Continued)***(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 belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment assessment.

As at 31 December 2020, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with definite useful lives were RMB938,054,000 (2019: RMB1,001,848,000), RMB256,440,000 (2019: RMB300,322,000) and RMB181,673,000 (2019: RMB203,015,000), respectively. During the year ended 31 December 2020, impairment losses of nil (2019: RMB1,129,000), nil (2019: RMB879,000) and nil (2019: RMB980,000) in respect of property, plant and equipment, right-of-use assets and intangible asset with finite useful lives were recognised respectively.

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE

(i) Disaggregation of revenue from contracts with customers

	2020 RMB'000	2019 RMB'000
Automotive parts business		
Sales of automotive absorbers to		
– the automobile market of original automobile manufacturers	865,393	886,075
– the second market of automobile industry	43,495	27,288
– others	34,019	4,443
	942,907	917,806
Education operation business		
Provision of schooling services and management and consulting services to educational institutions		
– schooling services	331,247	335,415
– management and consultancy services	56,138	86,090
	387,385	421,505
Financial services business		
Provision of financial services and advisory services in respect of		
– private equity fund management	5,631	17,762
– underwriting, dealing and margin services	2,829	16,716
– advisory services	6,070	24,735
– others	8,946	3,715
	23,476	62,928
Revenue from contracts with customers	1,353,768	1,402,239
Interest income	7,445	33,798
	1,361,213	1,436,037

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (Continued)

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

	For the year ended 31 December 2020			
	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
Timing of revenue recognition:				
– A point in time	942,907	–	11,776	954,683
– Overtime	–	387,385	11,700	399,085
	942,907	387,385	23,476	1,353,768
Geographical markets:				
– The PRC	911,647	387,385	1,837	1,300,869
– Hong Kong	–	–	21,292	21,292
– Singapore	–	–	347	347
– Italy	31,260	–	–	31,260
	942,907	387,385	23,476	1,353,768

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (Continued)

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

	For the year ended 31 December 2019			
	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
Timing of revenue recognition:				
– A point in time	917,806	–	24,036	941,842
– Overtime	–	421,505	38,892	460,397
	917,806	421,505	62,928	1,402,239
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
	917,806	421,505	62,928	1,402,239

(ii) Performance obligations for contracts with customers

(a) Automotive parts business

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

For sales of automotive parts products to the customers, revenue is recognised 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.

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

(b) 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.

(c) Financial services business

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

(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 2020 and 2019, and the expected timing recognising revenue are as follows:

	Automotive parts business	Education operation business	Financial services business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Within one year	5,190	199,327	118	204,635
One to two years	–	44,106	–	44,106
Two to five years	–	61,844	–	61,844
Over five years	–	68,232	–	68,232
	5,190	373,509	118	378,817
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
	5,193	402,667	7,678	415,538

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE (Continued)

(iv) Contract liabilities

	2020 RMB'000	2019 RMB'000
Advanced tuition fee	340,395	380,387
Advanced from customers	8,300	5,510
	348,695	385,897
Analysed for reporting purposes as:		
– Current liabilities	179,652	221,039
– Non-current liabilities	169,043	164,858
	348,695	385,897

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 2020			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	151,488	5,408	156,896
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

The contract liabilities represent the Group's obligation to render 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 2021 throughout to year ended 31 December 2035 (2019: 2020 to 2034).

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION

(a) Products and services within each operating segment

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

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

- Automotive parts business – manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers and the secondary market of the automobile industry.
- Education operation business – engage in the business of provision of schooling services, including kindergarten education, academic education, 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)

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and segment results

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

	Segment revenue		Segment results	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Automotive parts business	942,907	917,806	132,109	128,470
Education operation business	387,385	421,505	154,895	141,839
Financial services business	30,921	96,726	28,842	89,906
Total segment	1,361,213	1,436,037	315,846	360,215
Other income			63,615	99,412
Other losses, net			(16,021)	(1,047,086)
ECL, net of reversal			(103,176)	(196,937)
Impairment losses on goodwill, tangible and intangible assets			(48,467)	(271,395)
Impairment of interests in joint ventures			(15,183)	–
Selling and distribution expenses			(63,055)	(125,759)
Research and development expenditure			(53,992)	(51,327)
Administrative expenses			(269,470)	(343,317)
Operating losses			(189,903)	(1,576,194)
Finance costs			(217,449)	(285,991)
Share of results of associates			(1,345)	1,231
Share of results of joint ventures			10,856	(397,737)
Loss before income tax			(397,841)	(2,258,691)

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and segment results (Continued)

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

For the year ended 31 December 2020				
	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	942,907	387,385	23,476	1,353,768
Inter-segment sales	–	–	77,021	77,021
Sub-total	942,907	387,385	100,497	1,430,789
Elimination	–	–	(77,021)	(77,021)
Revenue from contracts with customers	942,907	387,385	23,476	1,353,768
Interest income	–	–	7,445	7,445
Segment revenue	942,907	387,385	30,921	1,361,213

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION (Continued)

(b) Segment revenue and segment results (Continued)

	For the year ended 31 December 2019			
	Automotive parts business RMB'000	Education operation business RMB'000	Financial services business RMB'000	Total RMB'000
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				
Interest income	917,806	421,505	62,928	1,402,239
	–	–	33,798	33,798
Segment revenue	917,806	421,505	96,726	1,436,037

The accounting policies of the operating segments are the same as the Group's accounting policies disclosed in Note 2. 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.

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION (Continued)

(c) Geographical information

The Group principally operates in the PRC.

During the year ended 31 December 2020, 96% (2019: 95%) of the Group's revenue from external customers, based on the operation location of respective customers, is derived from the PRC.

As at 31 December 2020, 99% (2019: 97%) of the Group's property, plant and equipment and rights-of-use assets are located in the PRC.

(d) Information about major customer

Revenue from major customers which accounts for 10% or more of the Group's revenue for the year ended 31 December 2020 or 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Automotive parts business		
Customer A	195,001	190,971
Customer B	168,690	153,418

7 OTHER INCOME AND EXPENSES

	2020 RMB'000	2019 RMB'000
Interest income from financial institutions	3,071	3,434
Interest income from non-financial institutions	5,468	66,310
Government grants	16,113	12,263
Release of asset-related government grants/interest-free loans	1,710	7,459
Storage services income	2,164	2,671
School campus ancillary services income	77,880	75,016
Less: associated expenses relating school campus ancillary services	(66,697)	(68,728)
Others	23,906	987
	63,615	99,412

Notes to the Consolidated Financial Statements (Continued)

8 OTHER LOSSES, NET

	2020 RMB'000	2019 RMB'000
Donation	(1,032)	(142)
Exchange gains/(losses), net	155,980	(54,860)
(Provision for)/reversal of provision on inventories, net	(5,261)	10,358
Dividend income from financial assets measured at FVTPL (Note 22(c))	11,925	39,756
Realised loss on disposal of financial assets measured at fair value through profit or loss	(2,640)	(1,305,744)
Gains on disposal of scrap	—	8,786
Gains on disposal of property, plant and equipment	3,405	4,336
Gain on disposal of FC Yunnan (Note 37(f))	—	39,502
Loss on disposal of Zhejiang Xichuan Shock Absorber Company Limited* (浙江浙川減振器有限公司) ("Zhejiang Cijan")	—	(3,455)
Loss on disposal of Stirling Coleman (Note 37(a))	(30,241)	—
Loss on acquisition of FC Guolian (Note 37(c))	(3,325)	—
Loss on acquisition of FC Lianxin (Note 37(d))	(903)	—
Loss on de-registration of subsidiaries	(104)	—
Loss on waiving on other receivable	—	(34,120)
Fair value changes of financial assets at fair value through profit or loss (Note 22(c))	(131,831)	328,948
Fair value changes of contingent consideration payables (Note 34)	(2,681)	(98,188)
Fair value changes of embedded derivative components of convertible bonds	—	13,373
Others	(9,313)	4,364
	(16,021)	(1,047,086)

Notes to the Consolidated Financial Statements (Continued)

9 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2020 RMB'000	2019 RMB'000
Auditor's remuneration	4,126	4,779
Cost of inventories sold	567,558	757,139
Employee benefits expenses (including directors' emoluments)	341,295	432,073
– Salaries and other benefits	327,656	381,010
– Retirement benefit scheme contributions	13,639	51,063
Amortisation of intangible assets (Note 19)	36,292	67,017
Depreciation of property, plant and equipment (Note 15)	74,723	70,371
Depreciation of right-of-use assets (Note 16(ii))	20,013	20,438
Legal and professional fee	7,982	8,613

10 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive emoluments

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

For the year ended 31 December 2020

	Fees RMB'000	Discretionary bonuses RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Dr. Wilson Sea	252	–	1,819	46	2,117
Mr. Zhao Zhijun	253	–	667	11	931
Dr. Zhu Huanqiang	252	–	2,140	–	2,392
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	227	–	–	–	227
Mr. Loo Cheng Guan (appointed on 17 February 2020)	197	–	–	–	197
Dr. Du Xiaotang	227	–	–	–	227
Mr. Wang Song (resigned on 17 February 2020)	30	–	–	–	30
Total	1,438	–	4,626	57	6,121

Notes to the Consolidated Financial Statements (Continued)

10 BENEFITS AND INTEREST OF DIRECTORS (Continued)

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

For the year ended 31 December 2019

	Fees RMB'000	Discretionary bonuses RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Dr. Wilson Sea	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
Total	1,947	2,821	6,164	36	10,968

Notes to the Consolidated Financial Statements (Continued)

10 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

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

(b) Five highest paid employees

The five highest paid individuals of the Group for the year ended 31 December 2020 included 3 (2019: 2) directors. The remunerations of the remaining 2 (2019: 3) highest paid individuals other than the directors are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	1,932	3,607
Discretionary bonus	84	2,902
Retirement benefit scheme contributions	29	94
Share options	4,023	–
	6,068	6,603

The emoluments of the remaining 2 (2019: 3) highest paid individuals other than the directors fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	–	–
HK\$4,500,001 to HK\$5,000,000	–	–
HK\$5,000,001 to HK\$5,500,000	–	–
HK\$5,500,001 to HK\$6,000,000	1	–

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

Notes to the Consolidated Financial Statements (Continued)

10 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2019: Nil).

(d) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2019: Nil).

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

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2019: Nil).

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2019: Nil).

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

Other than those disclosed elsewhere in the financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

11 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
Bank borrowings	24,301	23,484
Other borrowings	76,292	165,069
Lease liabilities	542	840
Convertible bonds (Note 31)	104,872	74,177
Contract liabilities, at imputed interest rate	8,243	20,511
Long term payables, at imputed interest rate	1,586	1,895
Others	1,613	15
	217,449	285,991

Notes to the Consolidated Financial Statements (Continued)

12 INCOME TAX EXPENSE/(CREDIT)

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

	2020 RMB'000	2019 RMB'000
Current income tax		
– Hong Kong	–	945
– PRC Enterprise Income Tax (“EIT”)	12,408	7,780
(Over)/under-provision in prior year		
– Hong Kong	(429)	–
– PRC EIT	–	1,709
Overseas withholding income tax	232	–
Deferred tax (Note 21)	(7,824)	(11,925)
	4,387	(1,491)

The current income tax expense/(credit) for the years ended 31 December 2020 and 2019 mainly represents the PRC EIT and Hong Kong Profits Tax.

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

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* (南陽浙減汽車減振器有限公司) (“Nanyang Cijan”) obtained “High and New Technology Enterprise” status for 3 years. The “High and New Technology Enterprise” status has been renewed in 2018 for another 3 years, which that entitles Nanyang Cijan a preferential tax rate of 15% for the period from 2019 to 2021 according to the PRC tax law.

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 2020 and 2019.

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%.

Notes to the Consolidated Financial Statements (Continued)

12 INCOME TAX EXPENSE/(CREDIT) (Continued)

Group companies incorporated in Singapore is subject to corporate income tax calculated at 17% of the estimated assessable profits. 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 the Cayman Islands and the British Virgin Island ("BVI") are not subject to any income tax.

The income tax expense/(credit) for the years ended 31 December 2020 and 2019 can be reconciled to the loss before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Loss before income tax	(397,841)	(2,258,691)
Calculated at a tax rate of 25% (2019: 25%)	(99,460)	(564,673)
Tax effect of different tax rate in other jurisdictions	26,028	(237)
Tax effect of expenses not deductible for tax purpose	77,756	33,041
Tax effect of income not taxable for tax purpose	(65,838)	(47,771)
Tax effect of additional qualified expenses deductible for tax purpose (Note)	(9,777)	(13,584)
Tax effect of temporary differences not recognised	(1,145)	215,066
Tax effect of tax losses not recognised	83,963	448,233
Utilisation of tax losses previously not recognised	(6,943)	(3,646)
Utilisation of deductible temporary differences previously not recognised	–	(75,623)
Reversal of deferred tax assets recognised in prior year	–	11,924
Tax effect of withholding tax provision on undistributed profits of a PRC subsidiary	–	(5,930)
(Over)/under-provision in prior year	(429)	1,709
Overseas withholding income tax	232	–
Income tax expense/(credit)	4,387	(1,491)

Note: The amount represents additional 75% (2019: 75%) income tax deduction in respect of qualifying research and development expenditures.

Notes to the Consolidated Financial Statements (Continued)

13 DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2020 and 2019. The board of directors of the Company does not recommend the payment of dividend for the year ended 31 December 2020 (2019: Nil).

14 LOSS PER SHARE

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

(a) Basic

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

	2020	2019
Loss attributable to owners of the Company (RMB'000)	(373,724)	(2,187,830)
Weighted average number of ordinary shares in issue	5,026,892,000	5,026,892,000
Loss per share (RMB)	(0.07)	(0.44)

(b) Diluted

The Company did not have any potential dilutive shares in issue for the years ended 31 December 2020 and 2019. Accordingly, the diluted loss per share are the same as the basic loss per share.

Notes to the Consolidated Financial Statements (Continued)

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Machinery RMB'000	Leasehold improvement RMB'000	Others RMB'000	Construction in-progress RMB'000	Total RMB'000
At 1 January 2019								
Cost	610,909	22,362	82,981	231,767	4,034	93,171	78,571	1,123,795
Accumulated depreciation	(73,322)	(11,876)	(17,226)	(68,894)	(3,435)	(23,162)	–	(197,915)
Net book amount	537,587	10,486	65,755	162,873	599	70,009	78,571	925,880
Year ended 31 December 2019								
Opening net book amount	537,587	10,486	65,755	162,873	599	70,009	78,571	925,880
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)	–
Disposals								
– Cost	–	(2,246)	(11,379)	(7,357)	(2,684)	–	–	(23,666)
– Accumulated depreciation	–	1,630	2,457	2,460	2,357	–	–	8,904
Disposal of subsidiaries								
– Cost	–	(671)	(72)	–	–	(2,365)	–	(3,108)
– Accumulated depreciation	–	289	9	–	–	2,365	–	2,663
Depreciation for the year	(28,185)	(2,289)	(7,643)	(20,925)	(518)	(10,811)	–	(70,371)
Impairment	–	–	(1,129)	–	–	–	–	(1,129)
Exchange realignment								
– Cost	(83)	(13)	(59)	(5)	(22)	–	–	(182)
– Accumulated depreciation	24	3	16	3	11	–	–	57
Closing net book amount	571,329	8,315	66,133	177,532	449	96,659	81,431	1,001,848
At 31 December 2019								
Cost	672,812	20,558	89,649	264,888	2,034	128,267	81,431	1,259,639
Accumulated depreciation	(101,483)	(12,243)	(23,516)	(87,356)	(1,585)	(31,608)	–	(257,791)
Net book amount	571,329	8,315	66,133	177,532	449	96,659	81,431	1,001,848
Year ended 31 December 2020								
Opening net book amount	571,329	8,315	66,133	177,532	449	96,659	81,431	1,001,848
Additions	157	4,384	53,041	19,453	–	360	27,534	104,929
Transfer	(34,802)	10,105	105,816	23,337	(213)	(95,639)	(8,604)	–
Disposals								
– Cost	(799)	(809)	(3,903)	(125)	–	(24)	–	(5,660)
– Accumulated depreciation	367	119	250	98	–	3	–	837
Disposal of subsidiaries								
– Cost	(32,652)	(115)	(9,784)	(11,214)	–	–	(42,204)	(95,969)
– Accumulated depreciation	1,675	15	1,195	980	–	–	–	3,865
Depreciation for the year	(24,688)	(3,795)	(28,650)	(17,044)	(183)	(363)	–	(74,723)
Exchange realignment								
– Cost	–	(290)	(121)	–	(106)	–	–	(517)
– Accumulated depreciation	–	3,229	110	–	105	–	–	3,444
Closing net book amount	480,587	21,158	184,087	193,017	52	996	58,157	938,054
At 31 December 2020								
Cost	725,880	39,331	334,501	266,257	1,707	2,457	58,157	1,428,290
Accumulated depreciation	(245,293)	(18,173)	(150,414)	(73,240)	(1,655)	(1,461)	–	(490,236)
Net book amount	480,587	21,158	184,087	193,017	52	996	58,157	938,054

Notes to the Consolidated Financial Statements (Continued)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB45,289,000 (2019: RMB42,651,000) has been expensed in cost of sales/services, RMB3,190,000 (2019: RMB3,004,000) in selling and distribution expenses, RMB38,000 (2019: RMB35,000) in research and development expenditure and RMB26,206,000 (2019: RMB24,681,000) in administrative expenses.

As at 31 December 2020, property ownership certificate was not obtained in respect of the buildings at carrying amount of RMB245,422,000 (2019: RMB337,931,000). Certain property, plant and equipment have been pledged as security for the purpose of borrowings. Details are set out in Note 30.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	Leasehold lands RMB'000	Offices RMB'000	Warehouse RMB'000	Total RMB'000
At 1 January 2019, upon application of HKFRS 16	285,589	27,549	229	313,367
Additions	–	16,109	–	16,109
Depreciation	(7,821)	(12,502)	(115)	(20,438)
Early termination	–	(7,881)	–	(7,881)
Impairment	–	(879)	–	(879)
Exchange realignment	–	44	–	44
At 31 December 2019	277,768	22,440	114	300,322
Additions	4,299	4,213	2,767	11,279
Depreciation	(6,659)	(11,787)	(1,567)	(20,013)
Early termination	(30,760)	(2,940)	–	(33,700)
Exchange realignment	–	(1,448)	–	(1,448)
At 31 December 2020	244,648	10,478	1,314	256,440
			2020 RMB'000	2019 RMB'000
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			1,924	10,074
			1,924	11,243
Total cash outflows for leases (excluded short-term leases)			(14,625)	(14,444)
Total cash outflows for short-term leases			(1,924)	(7,870)

Notes to the Consolidated Financial Statements (Continued)

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

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

For both years, the Group leases land, offices and warehouses for its operations use. Lease contracts are entered into for fixed terms of 13 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.

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

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

(ii) Lease liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities:		
Within one year	7,744	13,686
Within a period of more than one year but not more than two years	4,001	8,763
Within a period of more than two years but not more than five years	4,014	2,109
Over five years	14,142	11,547
	29,901	36,105
Less: Amount due for settlement with twelve months shown under current liabilities	(7,744)	(13,686)
Amount due for settlement after twelve months shown under non-current liabilities	22,157	22,419

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cost of unlisted investments in associates	32,599	6,300
Share of results and other comprehensive (loss)/income	(26,998)	834
	5,601	7,134

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

Name of entity	Place of incorporation/ establishment	Proportion of ownership interest held by the Group		Principal activities
		31 December 2020	31 December 2019	
Nanyang Way Assuato	The PRC	30%	51%	Manufacture and sales of automobile shock absorber products
Stirling Coleman	Singapore	45%	100%	Financial services
Shanghai Puyuan Education Company Limited* (上海璞遠教育科技有限公司) ("Puyuan Education")	The PRC	18%	18%	Education services

(a) Nanyang Way Assuato

During the year ended 31 December 2020, the Group disposed 21% of its equity interest in Nanyang Way Assuato to one of the executive directors of the Company. Details of the gain/(loss) on the partial disposal are set out in Note 37(b). Since the date of partial disposal, Nanyang Way Assuato became an associate of the Group.

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES (Continued)

(a) Nanyang Weiyi (Continued)

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

	31 December 2020 RMB'000
Current assets	67,935
Non-current assets	81,051
Current liabilities	(144,682)
	4,304
	Period from 26 September 2020 (date of partial disposal) to 31 December 2020 RMB'000
Revenue	34,051
Profit and total comprehensive income for the period	1,136
Proportion of the Group's ownership interest	30%
Share of result attributable to the Group	341

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

	31 December 2020 RMB'000
Net assets of Nanyang Way Assuato	4,304
Proportion of the Group's ownership interest	30%
The Group's share of net assets	1,291

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES (Continued)

(b) Stirling Coleman

During the year ended 31 December 2020, the Group disposed 55% of its equity interest in Stirling Coleman to a group of independent third parties. Details of the gain/(loss) on the partial disposal are set out in Note 37(a). Since the date of partial disposal, Stirling Coleman became an associate of the Group.

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

	31 December 2020 RMB'000
Current assets	8,847
Non-current assets	239
Current liabilities	(430)
	8,656
	Period from 19 February 2020 (date of partial disposal) to 31 December 2020 RMB'000
Revenue	4,872
Loss and total comprehensive loss for the period	(2,237)
Proportion of the Group's ownership interest	45%
Share of result attributable to the Group	(1,007)

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

	31 December 2020 RMB'000
Net assets of Stirling Coleman	8,656
Proportion of the Group's ownership interest	45%
The Group's share of net assets	3,895
Consideration premium	712
	4,607

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES (Continued)

(c) Puyuan Education

Subsequent to year end 31 December 2020, the Group had entered into a sales and purchase agreement with an individual third party to fully dispose the Group's 18% of equity interest in Puyuan Education. The balance of equity interest of Puyuan Education had been reclassified to "other receivables" as at 31 December 2020 in the consolidated statement of financial position.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current assets	6,110	10,842
Non-current assets	1,188	738
Current liabilities	(2,945)	(1,839)
	4,353	9,741
		Period from 28 June 2019 to 31 December 2019 RMB'000
Revenue	4,327	9,462
(Loss)/profit and total comprehensive (loss)/income for the year/period	(3,768)	2,776
Proportion of the Group's ownership interest	18%	18%
Share of result attributable to the Group	(679)	500
Adjustment (Note)	—	334
The Group's share of (loss)/profit and other comprehensive (loss)/income	(679)	834

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES (Continued)

(c) 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 December 2020 RMB'000	31 December 2019 RMB'000
Net assets of Puyuan Education	4,353	9,741
Proportion of the Group's ownership interest	18%	18%
The Group's share of net assets	784	1,753
Consideration premium	–	5,047
Adjustment (Note)	–	334
Reclassification	(784)	–
Carrying amount of the Group's interest adjusted by unrealised profit	–	7,134

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

(d) Summary of share of results of associates

For the year ended 31 December 2020	Nanyang Way Assuato RMB'000	Stirling Coleman RMB'000	Puyuan Education RMB'000	Total RMB'000
The Group's share of profit/(loss) and other comprehensive income/(loss)	341	(1,007)	(679)	(1,345)
For the year ended 31 December 2019		Zhejiang Cijan RMB'000	Puyuan Education RMB'000	Total RMB'000
The Group's share of profit and other comprehensive income		397	834	1,231

Notes to the Consolidated Financial Statements (Continued)

17 INTERESTS IN ASSOCIATES (Continued)

(e) Amount due from/(to) an associate

	31 December 2020 RMB'000	31 December 2019 RMB'000
Amount due from an associate		
– Nanyang Way Assuato	98,632	–
Amount due to an associate		
– Nanyang Way Assuato	(6,631)	–

The receivable balance as at 31 December 2020 had not past due.

Amounts due with an associate are unsecured, interest-free, non-trade in nature and repayable on demand.

18 INTERESTS IN JOINT VENTURES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cost of interests in joint ventures	511,062	1,105,245
Share of results and other comprehensive losses	(257,973)	(533,358)
	253,089	571,887
Less: provision for impairment	(15,183)	–
	237,906	571,887

Notes to the Consolidated Financial Statements (Continued)

18 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		Principal activities
		31 December 2020	31 December 2019	
FC Guolian	The PRC	100% (Note a)	91.51%	Equity investment
FC Lianxin	The PRC	100% (Note a)	60%	Investment management
Zhuhai First Capital Education Investment Fund (Limited Partnership)* (珠海首控教育產業投資基金(有限合伙)) ("Zhuhai Education")	The PRC	45.47%	45.47%	Equity investment
KSI Education Ltd. ("KSI Education")	United Kingdom	49%	49%	Education services
Shenzhen Shouzhong Education Development Equity Investment Enterprise (Limited Partnership)* (深圳首中教育產業發展股權投資企業(有限合伙)) ("Shouzhong Education")	The PRC	14.56% (Note b)	60%	Equity investment
Singapore Raffles Music College Pte. Ltd. ("SRMC")	Singapore	40%	40%	Education services
Chongqing First Capital Cultural Investment Equity Investment Fund (Limited Partnership)* (重慶首控文投股權投資基金合夥企業(有限合伙)) ("FC Wentou")	The PRC	50.08%	50.08%	Equity investment

(a) During the year ended 31 December 2020, the Group has acquired the remaining shares of FC Guolian and FC Lianxin. Subsequent to the acquisition, FC Guolian and FC Lianxin became wholly owned subsidiaries within the Group. Details of the acquisitions are set out in Note 37(c) and (d).

(b) During the year ended 31 December 2020, the Group partially disposed the shares in Shouzhong Education. Subsequent to the disposal, the Group lost joint control over Shouzhong Education and no longer recognised the investment as a joint venture. As at 31 December 2020, the Group measured the investment as financial assets measured at FVTPL.

Notes to the Consolidated Financial Statements (Continued)

18 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of three joint ventures that were acquired or partially disposed during the year ended 31 December 2020, namely, FC Guolian, FC Lianxin and Shouzhong Education, are as follows:

	FC Guolian RMB'000	FC Lianxin RMB'000	Shouzhong Education RMB'000
	At 30 June 2020	At 7 July 2020	At 28 December 2020
Current assets	94,522	818	205,616
– cash and cash equivalent	1,351	818	2,061
Non-current assets	–	2,630	283,937
Current liabilities	(1,594)	–	–
Revenue	–	–	–
Profit and total comprehensive income for the period	27,865	387	–
At 31 December 2019			
Current assets	65,849	836	65,616
– cash and cash equivalent	1,352	836	2,061
Non-current assets	–	7,519	423,937
Current liabilities	(786)	–	–
Revenue	–	–	–
Loss and total comprehensive loss for the year	(201,455)	(5,767)	(127)

Notes to the Consolidated Financial Statements (Continued)

18 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2020 and 2019 prepared in conformity with HKFRSs are as below:

	Zhuhai	KSI		FC
	Education	Education	SRMC	Wentou
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Current assets	513,253	108,657	16,538	2,116
– cash and cash equivalent	47	5,399	6,107	2,116
Non-current assets	–	2,577	13,224	–
Current liabilities	(197,516)	(5,016)	(11,712)	–
Non-current liabilities	–	–	(10,589)	–
Revenue	–	21	9,942	–
Profit/(loss) and total comprehensive income/(loss) for the year	36,954	(10,842)	(4,546)	(9)
At 31 December 2019				
Current assets	530,059	115,123	15,559	15,012
– cash and cash equivalent	275	29,102	5,606	2,365
Non-current assets	82,500	58,223	5,425	–
Current liabilities	(333,776)	(7,172)	(8,470)	(145,497)
Non-current liabilities	–	(38,445)	–	–
Revenue	–	12,756	13,363	18,934
Profit/(loss) and total comprehensive income/(loss) for the year	2,250	(289,602)	(5,312)	(205,451)

Notes to the Consolidated Financial Statements (Continued)

18 INTERESTS IN JOINT VENTURES (Continued)

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

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2020				
Net assets of each joint venture	315,737	106,218	7,461	2,116
Proportion of the Group's ownership interest in each joint venture	45.47%	49%	40%	50.08%
The Group's share of net assets of each joint venture	143,566	52,046	2,984	1,059
Consideration premium	–	–	8,867	–
Exchange realignment	–	534	241	–
Adjustments (Note a)	29,511	–	–	(369)
Carrying amount of the Group's interest in each joint venture	173,077	52,580	12,092	690
The Group's share of profit/(loss) in each joint venture (Note b)	16,803	(29,855)	(1,818)	(5)

Notes to the Consolidated Financial Statements (Continued)

18 INTERESTS IN JOINT VENTURES (Continued)

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

	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
At 31 December 2019							
Net assets/(liabilities) of each joint venture	65,063	8,355	278,783	127,729	489,553	12,514	(130,485)
Proportion of the Group's ownership interest in each joint venture	91.51%	60%	45.47%	49%	60%	40%	50.08%
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)
Consideration premium	–	–	–	7,097	–	24,050	–
Exchange realignment	–	–	–	17,332	–	(157)	–
Adjustments (Note a)	(11,855)	–	29,510	–	(48,198)	–	66,815
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
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)

- (a) At 31 December 2020 and 2019, 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.

Notes to the Consolidated Financial Statements (Continued)

18 INTERESTS IN JOINT VENTURES (Continued)

Summary of share of results of joint ventures:

For the year ended 31 December 2020	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	Others RMB'000	Total RMB'000
The Group's share of profit/(loss) and other comprehensive income/(loss)	25,499	232	16,803	(29,855)	–	(1,818)	(5)	–	10,856

For the year ended 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	Others RMB'000	Total RMB'000
The Group's share of (loss)/profit and other comprehensive (loss)/income	(195,754)	(3,406)	(11,040)	(143,236)	(119)	(2,128)	(42,048)	(6)	(397,737)

Notes to the Consolidated Financial Statements (Continued)

19 INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Software RMB'000	Student roster RMB'000	Brand RMB'000	Capital market service license RMB'000	Financial business brand RMB'000	Total RMB'000
Cost								
At 1 January 2019	80,556	555	5,668	75,994	252,955	1,483	57,710	474,921
Additions	–	–	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
Additions	–	–	14,950	–	–	–	–	14,950
Disposal of a subsidiary	–	–	–	–	–	(1,533)	(59,643)	(61,176)
At 31 December 2020	80,556	555	61,945	75,994	252,955	–	–	472,005
Accumulated amortisation and impairment								
At 1 January 2019	(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	–	–	(980)	–	–	(575)	(22,383)	(23,938)
At 31 December 2019	(19,811)	(555)	(5,259)	(40,931)	(87,358)	(575)	(22,383)	(176,872)
Charge for the year	(7,009)	–	(7,315)	(7,412)	(14,556)	–	–	(36,292)
Disposal of a subsidiary	–	–	–	–	–	575	22,383	22,958
At 31 December 2020	(26,820)	(555)	(12,574)	(48,343)	(101,914)	–	–	(190,206)
Carrying values								
At 31 December 2019	60,745	–	41,736	35,063	165,597	958	37,260	341,359
At 31 December 2020	53,736	–	49,371	27,651	151,041	–	–	281,799

Notes to the Consolidated Financial Statements (Continued)

19 INTANGIBLE ASSETS (Continued)

Amortisation expense of RMB36,292,000 (2019: RMB67,017,000) has been expensed in administrative expenses.

The management regards brand (“**brand from Xinjiang Edukeys**”) of RMB100,126,000 (2019: RMB100,126,000), without legal or contractual useful life, generated from the acquisition of Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司) (“**Xinjiang Edukeys**”) has an indefinite useful life as the brand from Xinjiang Edukeys can be widely used without a defined period.

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 20. At 31 December 2020, the carrying value amounted to RMB100,126,000 (2019: RMB100,126,000) and no impairment loss were recognised for the year ended 31 December 2020 and 2019.

With the partial disposal of Stirling Coleman during the year ended 31 December 2020, the “capital market service licence” and “financial business brand” arising from its acquisition had been de-recognised during the year.

Notes to the Consolidated Financial Statements (Continued)

20 GOODWILL

	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	611,120	610,720
Reversal on disposal of a subsidiary	(12,374)	–
Exchange realignment	–	400
At 31 December	598,746	611,120
Impairment		
At 1 January	(287,549)	(42,100)
Reversal on disposal of a subsidiary	12,373	–
Charge for the year	(48,467)	(245,449)
At 31 December	(323,643)	(287,549)
Carrying values		
At 31 December	275,103	323,571

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 services

Notes to the Consolidated Financial Statements (Continued)

20 GOODWILL (Continued)

The carrying amounts of goodwill as at 31 December 2020 and 2019 allocated to these CGUs are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
CGU Jinan Baofei	61,638	61,638
CGU Xishan Schools	202,746	202,746
CGU Xinjiang Edukeys	10,719	59,187
	275,103	323,571

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 2020 and 2019 allocated to these CGUs are as follows:

Impairment of Goodwill	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
At 1 January 2019	–	(42,100)	–	–	–	–	(42,100)
Impairment	(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)
Impairment	–	–	–	–	–	(48,467)	(48,467)
Written back on disposal of a subsidiary	–	–	–	–	12,373	–	12,373
At 31 December 2020	(29,655)	(101,763)	–	–	–	(192,225)	(323,643)

The recoverable amounts of CGUs were determined based on value in use calculations. Value in use calculations used cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period (2019: 5-year period).

Notes to the Consolidated Financial Statements (Continued)

20 GOODWILL (Continued)

The following table sets out the key assumptions for the value in use calculation of the 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 2020	N/A	N/A	12.97%	12.97%	N/A	13.26%
31 December 2019	N/A	13.34%	14.12%	14.12%	N/A	14.07%
Long term growth rate						
31 December 2020	N/A	N/A	3.00%	3.00%	N/A	3.00%
31 December 2019	N/A	3.00%	3.00%	3.00%	N/A	3.00%

Cash flows beyond the 5-year period (2019: 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.

CGU Nanyang Cijan and CGU Stirling Coleman

The recoverable amounts of CGU Nanyang Cijan and CGU Stirling Coleman have not been calculated for as at 31 December 2020 as the carrying amounts of goodwill and intangible assets of CGU Nanyang Cijan are insignificant and Stirling Coleman has been partially disposed during the year.

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

CGU 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 ended 31 December 2019, 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 had been fully impaired during the year ended 31 December 2019. During the year ended 31 December 2019, impairment amounting to RMB2,988,000 were 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 was 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. Given the remaining carrying amount of property, plant and equipment, right-of use assets and intangible assets were not significant as at 31 December 2020, the management of the Group did not consider any further impairment impact for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements *(Continued)*20 GOODWILL *(Continued)*

CGU 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 RMB150,892,000 as at 31 December 2020 (2019: RMB176,304,000). The management of the Group determines that there is no impairment of the CGU containing goodwill during both years.

CGU Xishan Schools

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 RMB158,718,000 as at 31 December 2020 (2019: RMB197,937,000). The management of the Group determines that there is no impairment of the CGU containing goodwill during both years.

CGU 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 RMB48,467,000 has been impaired. The recoverable amount of Xinjiang Edukeys amounted to RMB171,878,000 as at 31 December 2020 (2019: RMB223,441,000). If the discount rate was changed to 15.26% (2019: 15.48%), while other parameters remain constant, the recoverable amount of Xinjiang Edukeys would reduce to RMB137,044,000 (2019: RMB165,642,000) and a further impairment on goodwill, intangible assets, and property, plant and equipment in Xinjiang Edukeys, in aggregate, of RMB34,834,000 would be recognised.

Notes to the Consolidated Financial Statements (Continued)

21 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets	–	–
Deferred tax liabilities	(88,853)	(102,034)
	(88,853)	(102,034)

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:

	Tax losses RMB'000	Withholding tax on undistributed profits RMB'000	Changes in fair values of financial instruments RMB'000	Fair value changes of assets acquired through business combination RMB'000	Total RMB'000
At 1 January 2019	11,981	(5,930)	7,762	(142,364)	(128,551)
(Charge)/credit to profit or loss	(11,925)	5,930	–	17,920	11,925
Disposal of a subsidiary (Note 37(e))	–	–	–	14,950	14,950
Exchange realignment	(56)	–	–	(302)	(358)
At 31 December 2019	–	–	7,762	(109,796)	(102,034)
Credit to profit or loss	–	–	–	7,824	7,824
Disposal of a subsidiary (Note 37(a))	–	–	–	4,393	4,393
Exchange realignment	–	–	–	964	964
At 31 December 2020	–	–	7,762	(96,615)	(88,853)
Analysed as:					
As at 31 December 2019					
To be recovered after than 12 months	–	–	7,762	(109,796)	(102,034)
	–	–	7,762	(109,796)	(102,034)
As at 31 December 2020					
To be recovered after than 12 months	–	–	7,762	(96,615)	(88,853)
	–	–	7,762	(96,615)	(88,853)

Notes to the Consolidated Financial Statements (Continued)

21 DEFERRED TAX (Continued)

The Group had unrecognised tax losses as follows:

	RMB'000
At 1 January 2019	886,743
Reversal of deferred tax assets arising from tax losses	47,696
Utilisation	(14,584)
Elimination upon disposal of subsidiaries	(64,131)
Additions	1,792,932
At 31 December 2019	2,648,656
Reversal of deferred tax assets arising from tax losses	(486,924)
Utilisation	(17,496)
Additions	384,885
At 31 December 2020	2,529,121

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 2020, the unrecognised tax losses of approximately RMB638,652,000 (2019: RMB2,560,081,000) will expire throughout to 2025 (2019: 2024), where the remaining unrecognised tax losses can be carried forward permanently.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC established subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. No group companies established in the PRC has distributable profits as at 31 December 2020 or 2019.

Notes to the Consolidated Financial Statements (Continued)

22 FINANCIAL ASSETS MEASURED AT FVTPL

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets measured at FVTPL	692,345	960,702
Analysed for reporting purposes as:		
– Current assets (Note a)	692,345	870,656
– Non-current assets (Note b)	–	90,046
	692,345	960,702

(a) The financial assets measured at FVTPL classified under current assets at the end of each reporting period are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Listed equity securities:		
– Hong Kong	313,913	199,896
– The PRC	251,258	293,303
– Overseas	18,357	69,063
Unlisted investments:		
– Hong Kong	19,413	–
– The PRC	74,475	45,600
– Overseas	12,838	262,794
Others	2,091	–
	692,345	870,656

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unlisted investments:		
– Hong Kong	–	78,066
– Overseas	–	11,980
	–	90,046

Notes to the Consolidated Financial Statements (Continued)

22 FINANCIAL ASSETS MEASURED AT FVTPL (Continued)

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

		As at 31 December 2020					For the year ended 31 December 2020		As at 31 December 2019
Financial assets measured at FVTPL	Main business	Number of shares held '000	% to shareholdings in the security	Fair value RMB'000	% to the Group's total assets	Investment costs RMB'000	Fair value changes RMB'000	Investment gain RMB'000	Fair value/ carrying amount RMB'000
Yuanyin Holdings Limited	Finance	100,000	10.53%	19,413	0.43%	74,494	(58,841)	-	78,254
SJW International Co., Ltd	Education	0.25	5%	8,482	0.19%	23,911	(23,344)	-	56,864
GSV AcceleraTE Fund I, L.P.	Investment	-	-	-	-	-	-	-	127,675
北京知路研修教育科技有限公司	Education	176.5	15%	12,000	0.27%	12,000	-	-	-
深圳首中教育產業發展股權 投資企業(有限合夥)	Education	41,759	14.56%	41,760	0.93%	41,760	-	-	-
MindChamps (SGX:CNE)	Education	12,056	4.99%	16,647	0.37%	31,615	(10,352)	-	29,629
Bojun Education (HK.1758)	Education	150,000	18%	71,959	1.60%	250,000	(11,079)	-	-
VIRSCEND EDU (HK.1565)	Education	85,088	3%	166,143	3.69%	360,922	33,156	6,239	122,362
GUANGAN AAA (SHA.600979)	Utility	75,001	6%	251,255	2.59%	357,460	20,807	2,101	293,300
Listed equities held through First Capital Education Selected Fund	Various	N/A	N/A	20,335	0.45%	40,118	38,341	2,108	78,066
Listed equities held through First Capital Global Education Investment SP	Various	N/A	N/A	10,742	0.24%	14,266	97	425	-
Others	N/A	N/A	N/A	73,609	1.64%	242,384	(120,616)	1,052	174,552
						1,448,930	(131,831)	11,925	960,702

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables (Note a)	492,256	435,373
Less: allowance for trade receivables	(32,494)	(50,054)
	459,762	385,319
Bills receivables (Note b)	94,105	194,690
Receivables from non-controlling shareholders of Xishan Schools	95,769	91,687
Rental deposits, prepayments and other receivables	282,342	337,002
Less: allowance for other receivables	(98,034)	(39,216)
	833,944	969,482
Value-added tax recoverable	199	12,667
Prepayment to a supplier of automotive parts	54,239	–
Advances to suppliers	25,566	34,732
	913,948	1,016,881
Less: amounts shown under non-current assets	(27,255)	(114,216)
Total trade and other receivables shown under current assets	886,693	902,665

The Group does not hold any collateral over these balances.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9 for trade receivables and bills receivables, whereas general approach was adopted for other receivables. Details of information about the exposure to credit risk and ECL for trade and other receivables are set out in Note 3.

- (a) 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.

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

The following is an aged analysis of trade receivables presented based on invoice date, net of allowance for trade receivables (also approximate to the date of revenue recognition):

	31 December 2020 RMB'000	31 December 2019 RMB'000
0 to 90 days	327,924	347,234
91 to 180 days	122,868	24,214
181 to 365 days	4,230	13,871
Over 365 days	4,740	–
	459,762	385,319

(b) The balance represents 銀行承兌匯票 (“**banker’s acceptance notes**”), i.e. time drafts accepted and guaranteed for payment by banks in the PRC. Those banks accepting the banker’s acceptance notes, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such banker’s acceptance notes. All bills received by the Group are with a maturity period of less than one year.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
0 to 30 days	–	52,870
31 to 60 days	1,423	67,374
61 to 90 days	785	16,898
91 to 120 days	33,342	21,905
121 to 150 days	26,937	23,504
151 to 180 days	31,618	12,039
181 to 365 days	–	100
	94,105	194,690

Notes to the Consolidated Financial Statements (Continued)

24 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	31 December 2020 RMB'000	31 December 2019 RMB'000
<u>Amounts due from joint ventures</u>		
FC Wentou	2,354	38,162
KSI Education	5,307	9,345
Zhuhai Education	196,467	209,020
SRMC	25	–
	204,153	256,527
Less: Provision for impairment	(425)	–
	203,728	256,527
Less: amounts shown under non-current assets	–	(36,376)
Total amounts shown under current assets	203,728	220,151

The receivable balances as at 31 December 2020 and 2019 had not past due. 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.

	31 December 2020 RMB'000	31 December 2019 RMB'000
<u>Amount due to a joint venture</u>		
Zhuhai Education	1,903	–

Amount due to a joint venture is unsecured, interest-free, non-trade in nature and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

25 INVENTORIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Raw materials	28,085	20,109
Work-in-progress	7,255	5,390
Finished goods	56,819	178,968
Consumables	1,240	648
	93,399	205,115

At 31 December 2020, included in the carrying amount are provision of RMB31,248,000 (2019: RMB25,987,000), which is determined with reference to the net realisable values of the inventory items.

Additional provision of RMB5,261,000 (2019: a net reversal of provision for RMB10,358,000) was made during the year ended 31 December 2020.

Cost of inventories sold amounted to RMB567,558,000 (2019: RMB757,139,000) for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

26 LOAN AND INTEREST RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Loan receivables	256,132	196,220
Interest receivables	48,570	67,397
	304,702	263,617
Less: allowance for loan and interest receivables	(231,132)	(168,562)
	73,570	95,055
Less: amounts shown under non-current assets	(16,346)	–
	57,224	95,055

The balances outstanding as at 31 December 2020 are of original maturity terms ranging from 7 days to 24 months (2019: from 13 days to 12 months). All loan receivables carry interests within the range of 0% to 18% (2019: 2% to 17%) per annum.

27 SECURITY ACCOUNT BALANCES

As at 31 December 2020 and 2019, 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.

Notes to the Consolidated Financial Statements (Continued)

28 RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

As at 31 December 2020, bank balances carry interest at market rates ranging from 0.0625% to 0.35% (2019: 0.001% to 0.35%) per annum.

As at 31 December 2020, included in the balances of restricted bank balances are (i) an aggregate amount of RMB62,862,000 (2019: RMB96,079,000) representing the customer deposits for trading securities, (ii) nil (2019: RMB270,283,000) representing the trust bank deposit held by the Group in a bank with the corresponding amount recognised by the Group as payable to the former shareholder of First Capital Fund Management Company Limited* (首控基金管理有限公司) ("FC Fund"), (iii) RMB68,020,000 (2019: RMB107,610,000) representing cash deposited with banks as pledge for the bills payable with an original maturity within one year issued to suppliers for the purchase of raw materials, (iv) nil (2019: RMB54,000) representing the fund held in a trust account for Stirling Coleman, and (v) RMB20,000,000 (2019: RMB7,003,000) representing other restricted funds. As at 31 December 2020, restricted bank balances, carrying interest at market rates ranging from 0.15% to 2.66% (2019: 1.30% to 3.86%) per annum.

The remittance of funds out of the PRC amounted to approximately RMB193,622,000 (2019: RMB505,949,000) is subject to foreign exchange restrictions imposed by the PRC government.

29 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (Note a)	506,067	627,912
Bills payables (Note b)	77,350	142,830
	583,417	770,742
Accruals and other payables	160,863	138,581
Payable to former shareholder of FC Fund	—	270,283
Customer deposits for securities trading	58,273	104,134
Other tax payables	35,816	19,486
Payroll and welfare payables	122,148	127,391
	960,517	1,430,617
Less: amounts shown under non-current liabilities	(137)	(142)
Total amounts shown under current liabilities	960,380	1,430,475

Notes to the Consolidated Financial Statements (Continued)

29 TRADE AND OTHER PAYABLES (Continued)

(a) The following is an ageing analysis of trade payables presented based on invoice date at the end of each reporting period:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0 to 90 days	388,404	557,215
91 to 180 days	67,222	38,172
181 to 365 days	15,244	22,027
Over 365 days	35,197	10,498
	506,067	627,912

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
0 to 30 days	9,900	24,400
31 to 60 days	4,000	21,430
61 to 90 days	12,450	5,000
91 to 180 days	38,000	52,000
Over 180 days	13,000	40,000
	77,350	142,830

Notes to the Consolidated Financial Statements (Continued)

30 BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank borrowings	541,073	497,500
Notes and debentures	709,932	777,506
Other borrowings	292,654	534,799
Loan from a joint venture, Shouzhong Education (Note a)	—	103,317
Loans from government (Note b)	59,238	48,694
Loans from independent third parties (Note c)	233,416	382,788
	1,543,659	1,809,805
Unsecured and unguaranteed borrowings	1,201,973	1,201,493
Secured and unguaranteed borrowings	341,686	608,312
	1,543,659	1,809,805

(a) The loan was unsecured, interest bearing at 0.036% per annum, and repayable on demand.

(b) The loans are unsecured, interest-free and repayable in 2024.

(c) The loans are unsecured, bearing interest range from 0% to 12% (2019: 0% to 18%) per annum and repayable within five years (2019: within five years).

The contractual maturity dates of borrowings are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within one year	777,363	1,016,845
Between one year to two years	381,678	472,599
Between two to five years	261,712	187,827
Over five years	122,906	132,534
	1,543,659	1,809,805
Less: amounts shown under current liabilities	(1,165,453)	(1,236,845)
Amounts shown under non-current liabilities	378,206	572,960

Notes to the Consolidated Financial Statements (Continued)

30 BORROWINGS (Continued)

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

	2020	2019
	China loan prime rate	China loan prime rate
Variable-rate borrowings	+0.38% to +1.085%	– 0.285% to +0.75%
Fixed-rate borrowings	0% to 12.00%	0% to 18.00%

The Group has pledged certain assets to secure loan facilities granted to the Group. The carrying values of the assets pledged are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Property, plant and equipment	150,912	150,912
Financial assets measured at FVTPL	420,732	371,554
	571,644	522,466

At 31 December 2020, certain shareholders of the Company, including Wealth Max Holdings Limited and Hong Kong Chuang Yue Co., Limited ("**Chuang Yue**") also pledged the Company's shares with fair value amounting to approximately RMB80,625,000 (2019: RMB219,920,000) to the financial institutions for securing financial facilities granted to the Group. The amounts are repayable at various dates throughout to 2021.

As at 31 December 2020 and 2019, certain bank borrowings were reclassified from non-current liabilities to current liabilities as they became repayable on demand due to the breaching of covenants underlying the loan agreements.

Notes to the Consolidated Financial Statements (Continued)

31 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 was 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 secured by an account charge executed by Chuang Yue in favour of the bondholder and guaranteed by Mr. Tang Mingyang, the former ultimate beneficial owner of Chuang Yue.

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%.

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

Notes to the Consolidated Financial Statements (Continued)

31 CONVERTIBLE BONDS (Continued)

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. For the year ended 31 December 2019, fair value change of the options amounting to RMB13,373,000 was recognised in the profit or loss.

In March 2020, the Group received a statutory demand from the holder of the convertible bonds of the Group to repay the principal and interest accrued totaling HK\$823 million (equivalent to approximately RMB717 million). The Group failed to repay the principal and interest accrued and the holder of the convertible bonds presented a winding-up petition the Court of First Instance of the High Court of the Hong Kong Special Administrative Region.

The movement of liability component of the Convertible Bonds for the year is set out as below:

	RMB'000
At 1 January 2019	687,418
Interest charged (Note 11)	74,177
Interest paid	(55,298)
Exchange realignment	15,628
At 31 December 2019	721,925
Interest charged (Note 11)	104,872
Repayment	(26,730)
Exchange realignment	(48,375)
At 31 December 2020	751,692

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.

Notes to the Consolidated Financial Statements (Continued)

32 DEFERRED INCOME

	Government grants	
	RMB'000	
At 1 January 2019	45,379	
Additions	21,115	
Utilisation	(7,459)	
At 31 December 2019	59,035	
Additions	5,584	
Utilisation	(9,974)	
At 31 December 2020	54,645	
	31 December 2020	31 December 2019
	RMB'000	RMB'000
Analysed for reporting purposes as:		
– Current liabilities	7,594	5,745
– Non-current liabilities	47,051	53,290
	54,645	59,035

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.

Notes to the Consolidated Financial Statements (Continued)

33 PROVISIONS

	Warranty provision RMB'000
At 1 January 2019	4,014
Additions	63,370
Utilisation	(43,235)
At 31 December 2019	24,149
Additions	33,311
Utilisation	(27,427)
At 31 December 2020	30,033

The warranty provision represents management's best estimate of the Group's liability under an average warranty period of two years granted to customers, based on prior experience relating to defective products claims.

34 CONTINGENT CONSIDERATION PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contingent consideration payables	–	61,647
Less: amounts shown under non-current liabilities	–	(61,647)
Amounts shown under current liabilities	–	–

Notes to the Consolidated Financial Statements (Continued)

34 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
At 1 January 2019	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)
At 31 December 2019	–	–	–	61,647	61,647
Fair value changes	–	–	–	2,681	2,681
Settlement	–	–	–	(64,328)	(64,328)
At 31 December 2020	–	–	–	–	–

- (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. Major inputs and assumptions of the model were set out as follows:

30 April 2019

Discount rate	13.62%
Long-term sustainable growth rate	3%
Risk-free rate	1.76%

- (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". During the year ended 31 December 2020, the Group had partially disposed of Stirling Coleman and hence, the balance remained outstanding in other payable as at 31 December 2019 had been de-recognised.

- (c) The fair value of the contingent consideration payable option arising from acquisition of Xinjiang Edukeys was calculated using Black-Scholes-model. The contingent consideration payable of the Company was discharged as at 30 June 2019. Major inputs and assumptions of the model were set out as follows:

30 June 2019

Share price of the company	HK\$2.33
Expected volatility	43%
Risk-free rate	2.19%

Notes to the Consolidated Financial Statements (Continued)

34 CONTINGENT CONSIDERATION PAYABLES (Continued)

- (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. With the voluntary wind up of the sub-funds as invested by FC Wentou, the contingent considerable payable had been crystallised and settled during the year.

35 LONG TERM PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advanced deposits	24,352	31,728

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 2020, interest expense of RMB1,586,000 (2019: RMB1,895,000) was recognised as finance costs.

36 SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	2020	2019
	(in thousand)	(in thousand)	HK\$'000	HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 1 January and 31 December	50,000,000	50,000,000	1,000,000	1,000,000
Issued and fully paid:				
At 1 January and 31 December	5,026,892	5,026,892	100,538	100,538
			31 December 2020 RMB'000	31 December 2019 RMB'000
Share capital presented in consolidated statement of financial position			84,283	84,283

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Partial disposal of Stirling Coleman

In February 2020, the Group entered into an agreement to dispose of its 55% equity interest in Stirling Coleman for an nominal consideration of RMB20,530,000, repayable by way of future dividends to be declared by Stirling Coleman. As at the disposal date, i.e. 19 February 2020, the fair value of the consideration receivable was determined based on Guideline Companies Method, which was classified as Level 3 of the fair value hierarchy, amounted to RMB7,911,000, details of the key inputs underlying the measurement are set out in Note 3. The fair value change of the consideration receivable is insignificant from the disposal date to 31 December 2020.

Following the disposal, the remaining 45% equity interest in Stirling Coleman held by the Group, with a fair value of RMB6,473,000 at the date of disposal was reclassified as investment in an associate. The share of results of Stirling Coleman is insignificant during the period after becoming an associate of the Group.

Analysis of assets and liabilities of Stirling Coleman over which the control was lost:

	RMB'000
Intangible assets	38,218
Property, plant and equipment	33
Bank balances and cash	9,421
Trade and other receivables	1,505
Trade and other payables	(159)
Deferred tax liabilities	(4,393)
Net assets disposed of	44,625

	RMB'000
Consideration receivable	7,911
Less: Net assets disposal of	(44,625)
Add: Fair value of remaining 45% equity interest held by the Group	6,473
Loss on disposal of Stirling Coleman	(30,241)

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Partial disposal of Stirling Coleman (Continued)

	RMB'000
Consideration received	–
Less: bank balances and cash	(9,421)
Net cash outflows on disposal of Stirling Coleman	(9,421)

(b) Partial disposal of Nanyang Way Assuato

In September 2020, the Group entered into an agreement to dispose 21% of its equity interest to one of the executive directors of the Group in Nanyang Way Assuato for a consideration of approximately RMB523,000.

Following the disposal, the remaining 30% equity interest in Nanyang Way Assuato held by the Group, with a fair value of RMB747,000 at the date of disposal was reclassified as investment in an associate. The details of the summarised financial information of Nanyang Way Assuato are set out in Note 17.

Analysis of assets and liabilities of Nanyang Way Assuato over which the control was lost:

	RMB'000
Property, plant and equipment	92,071
Inventories	16,467
Trade and other receivables	47,421
Bank balances and cash	440
Trade and other payables	(153,909)
Net assets disposed of	2,490

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(b) Partial disposal of Nanyang Way Assuato (Continued)

	RMB'000
Consideration received	523
Less: Net assets disposal of	(2,490)
Add:	
Non-controlling interest	1,220
Fair value of remaining 30% equity interest held by the Group	747
Gain/(loss) on disposal of Nanyang Way Assuato	–

	RMB'000
Consideration received	523
Less: bank balances and cash	(440)
Net cash inflows on disposal of Nanyang Way Assuato	83

(c) Step acquisition of FC Guolian

In June 2020, the Group entered into an agreement to acquire the 5.66% equity interest in FC Guolian, previously a joint venture of the Group, for a consideration of RMB1,935,000. Furthermore, in July 2020, the Group further acquired the remaining 2.83% equity interest in FC Guolian via the acquisition of the general partner of FC Guolian (Note (d)). As a result, the Group had 100% equity interest in FC Guolian.

Consideration transferred:

	RMB'000
Cash	1,935

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(c) Step acquisition of FC Guolian (Continued)

Assets acquired and liabilities assumed at the date of acquisition are as follows:

	RMB'000
Financial assets at fair value through profit or loss	93,171
Bank balances and cash	1,351
Trade and other payables	(1,594)
Net assets acquired	92,928
	RMB'000
Consideration paid	1,935
Add:	
Interest in joint venture	85,038
Non-controlling interest	2,630
Less:	
Net assets acquired	(92,928)
Loss on acquisition of FC Guolian	(3,325)
	RMB'000
Consideration paid	(1,935)
Add: bank balances and cash	1,351
Net cash outflows on acquisition of FC Guolian	(584)

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(d) Step acquisition of FC Lianxin

In July 2020, the Group entered into an agreement to acquire the remaining 40% equity interest in FC Lianxin, previously a joint venture of the Group, for a consideration of RMB1,165,000.

Consideration transferred:

	RMB'000
Cash	1,165

Assets acquired and liabilities assumed at the date of acquisition are as follows:

	RMB'000
Investment in a subsidiary	2,630
Bank balances and cash	818
Net assets acquired	3,448

	RMB'000
Consideration paid	1,165
Add:	
Interest in joint venture	1,379
Less:	
Net assets acquired	(3,447)
Loss on acquisition of FC Lianxin	(903)

	RMB'000
Consideration paid	(1,165)
Add: bank balances and cash	818
Net cash outflows on acquisition of FC Lianxin	(347)

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(e) Disposal of Tiantai Culture

During the year ended 31 December 2019, the Group entered into an agreement to dispose of its 100% equity interest in Tiantai Culture. The purpose of the disposal was 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 result of Tiantai Culture for the period from 1 January 2019 to 29 March 2019, which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 January 2019 to 29 March 2019 RMB'000
Other losses, net	(23)
Administrative expenses	(1,160)
Operating loss	(1,183)
Finance costs	(2,512)
Loss before income tax	(3,695)
Income tax expense	–
Loss for the period	(3,695)

For the period ended 29 March 2019, the net operating cash flows of Tiantai Culture was RMB77,000 and no cash flow contributed to the Group's financing and investing activities.

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(e) Disposal of Tiantai Culture (Continued)

Analysis of assets and liabilities of Tiantai Culture 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 an immediate holding company	(39,120)
Borrowings	(9,979)
Deferred tax liabilities	(14,950)
Net assets disposal of	159,185

	RMB'000
Consideration received	162,880
Less: Net assets disposal of	(159,185)
Gain on disposal of Tiantai Culture	3,695

	RMB'000
Cash consideration	162,880
Less: bank balances and cash disposal of	(114)
Net cash inflows on disposal of Tiantai Culture	162,766

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(f) Disposal of FC Yunnan

During the year ended 31 December 2019, 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 this 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 was insignificant during the period as an associate of the Group.

Analysis of assets and liabilities of FC Yunnan over which 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)
Income tax payable	(16,555)
Net assets disposal of	416,244
	RMB'000
Consideration received	240,000
Less: Share of net assets disposal of	(166,498)
Gain on disposal of FC Yunnan	73,502

Notes to the Consolidated Financial Statements (Continued)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(f) Disposal of FC Yunnan (Continued)

	RMB'000
Cash consideration	240,000
Less: bank balances and cash disposal of	(11,138)
Net cash inflows on disposal of FC Yunnan	228,862

38 OTHER COMMITMENTS

	31 December 2020 RMB'000	31 December 2019 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	7,057	67,149
Capital expenditure in respect of investments in joint ventures		
– Contracted for but not provided in the consolidated financial statements	219,530	367,086

39 RELATED PARTY TRANSACTIONS

Other than those transactions with related parties disclosed elsewhere in the consolidated financial statements and the remuneration of directors and other members of key management as disclosed in Note 10, the following related party transactions have been carried out for the year ended 31 December 2020:

	2020 RMB'000	2019 RMB'000
Consideration received from an executive director of the Company for the partial disposal of a subsidiary	523	–

Notes to the Consolidated Financial Statements (Continued)

40 FINANCIAL INSTRUMENTS BY CATEGORIES

		31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets			
Amounts due from joint ventures	At amortised cost	203,728	256,527
Amount due from an associate	At amortised cost	98,632	–
Trade and other receivables	At amortised cost	833,944	969,482
Loan and interest receivables	At amortised cost	73,570	95,055
Contingent consideration receivables	FVTPL	7,759	–
Financial assets measured at FVTPL	FVTPL	692,345	960,702
Security account balances	At amortised cost	18,608	19,557
Restricted bank balances	At amortised cost	150,882	481,029
Bank balances and cash	At amortised cost	207,451	231,606
Financial liabilities			
Trade and other payables	At amortised cost	960,517	1,192,458
Amount due to a joint venture	At amortised cost	1,903	–
Amount due to an associate	At amortised cost	6,631	–
Borrowings	At amortised cost	1,543,659	1,809,805
Convertible bonds	At amortised cost	751,692	721,925
Long term payables	At amortised cost	24,352	31,728
Contingent consideration payables	FVTPL	–	61,647

Notes to the Consolidated Financial Statements (Continued)

41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from operations

	2020 RMB'000	2019 RMB'000
Loss before income tax	(397,841)	(2,258,691)
Adjustments for:		
Amortisation of intangible assets	36,292	67,017
Depreciation of property, plant and equipment	74,723	70,371
Depreciation of right-of-use assets	20,013	20,438
Gain on disposal of property, plant and equipment	(3,405)	(4,336)
Fair value changes of financial assets measured at FVTPL	131,831	976,796
Fair value changes of contingent consideration payables	2,681	98,188
Fair value change of embedded derivative components of convertible bonds	—	(13,373)
Share-based payment	4,360	—
Interest income	(8,539)	(69,744)
Interest expense	217,449	285,991
Dividends received from financial assets measured at FVTPL	(11,925)	(39,756)
Loss on waiving of other receivable	—	34,120
Share of results of joint ventures	(10,856)	397,737
Share of results of associates	1,345	(1,231)
Provision/(reversal of provision) on inventories	5,261	(10,358)
(Reversal of ECL)/ECL recognised in respect of trade receivables	(17,560)	32,520
ECL recognised in respect of loan and interest receivables	62,570	111,669
ECL recognised in respect of other receivables	57,741	39,216
(Reversal of ECL)/ECL recognised in respect of amounts due from joint ventures	425	13,532
Impairment loss recognised in respect of interests in joint ventures	15,183	—
Impairment losses on goodwill, tangible and intangible assets	48,467	271,395
Loss on disposal of Stirling Coleman	30,241	—
Loss on acquisition of FC Guolian	3,325	—
Loss on acquisition of FC Lianxin	903	—
Gain on disposal of FC Yunnan	—	(39,502)
Loss on disposal of an associate	—	3,455
Loss on liquidation of a joint venture	—	6
Release of asset-related government grants/interest-free loans	(1,710)	(7,459)
Unrealised foreign exchange loss	—	137,421
Movement in exchange reserve	(129,713)	—

Notes to the Consolidated Financial Statements (Continued)

41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Net cash generated from operations (Continued)

	2020 RMB'000	2019 RMB'000
Operating cash flows before movements in working capital	131,261	115,422
Changes in working capital:		
Inventories	89,988	(57,119)
Amounts due from joint ventures	69,875	–
Amount due from an associate	(98,632)	–
Trade and other receivables	113,810	(70,979)
Loan and interest receivables	(67,923)	442,541
Financial assets measured at FVTPL	99,491	(149,061)
Restricted bank balances	330,147	14,215
Trade and other payables	(308,868)	(280,567)
Amount due to an associate	6,631	–
Amount due to a joint venture	1,903	–
Deferred income	(2,680)	–
Contract liabilities	(45,445)	(28,296)
Long term payables	(8,962)	–
Provisions	5,884	20,135
Cash generated from operations	316,480	6,291

(b) Non-cash transactions

For the year ended 31 December 2020

- (i) During the current year, the Group entered into an agreement to dispose of its 55% equity interest in Stirling Coleman for a nominal consideration of RMB20,530,000. As at the disposal date, no cash consideration was received, as the consideration is repayable by way of future dividends to be declared by Stirling Coleman, which was measured at a fair value of RMB7,911,000 as at the date of disposal.

Notes to the Consolidated Financial Statements *(Continued)*41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*(b) Non-cash transactions *(Continued)***For the year ended 31 December 2019**

- (ii) 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.
- (iii) 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".
- (iv) 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 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.

Notes to the Consolidated Financial Statements (Continued)

41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net debt reconciliation

	Amount due to a joint venture RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Amount due to an associate RMB'000	Other payables RMB'000	Lease liabilities RMB'000	Long term payables RMB'000	Total RMB'000
At 1 January 2019	77,049	3,051,388	700,791	2,499	51,989	39,687	23,086	3,946,489
Financing cash flows	(26,656)	(1,094,703)	(55,298)	–	(20,283)	(14,444)	6,747	(1,204,637)
<i>Non-cash changes</i>								
Finance cost recognised (Note 11)	–	188,553	74,177	–	15	840	1,895	265,480
Arising from disposal of								
Tiantai Culture (Note 37(e))	–	(9,979)	–	–	–	–	–	(9,979)
Fair value changes of embedded derivative component of convertible bonds	–	–	(13,373)	–	–	–	–	(13,373)
Reclassified to other payable	–	–	–	(2,499)	–	–	–	(2,499)
New leases entered	–	–	–	–	–	16,109	–	16,109
Early termination of leases	–	–	–	–	–	(7,881)	–	(7,881)
Offsetting arrangement	(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
Financing cash flows	–	(366,739)	(26,730)	–	–	(14,625)	–	(408,094)
<i>Non-cash changes</i>								
Finance cost recognised (Note 11)	–	100,593	104,872	–	1,613	542	1,586	209,206
Disposal of a subsidiary	–	–	–	6,631	–	–	–	6,631
Other non-cash movements	1,903	–	–	–	95,719	7,879	(8,962)	96,539
Exchange realignment	–	–	(48,375)	–	–	–	–	(48,375)
At 31 December 2020	1,903	1,543,659	751,692	6,631	129,053	29,901	24,352	2,487,191

Notes to the Consolidated Financial Statements (Continued)

42 SHARE OPTION SCHEME/ SHARE-BASED PAYMENT

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 "**Share Option 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 year ended 31 December 2020, 50,000,000 share options (2019: Nil) were granted to a BVI incorporated company, which is wholly owned by the chief financial officer of the Group.

The table below discloses movement of share options granted under the Share Option Scheme:

	Number of share options
Outstanding as at 1 January 2020	–
Granted during the period	50,000,000
Outstanding as at 31 December 2020	50,000,000

The closing price of the Company's shares immediately before 16 June 2020, the date of grant, was HK\$0.197.

The fair values of the options determined at the date of grant using the Binomial model were HK\$4,780,000 (equivalent to RMB4,360,000).

The following assumptions were used to calculate the fair values of share options:

Grant date share price	HK\$0.20
Exercise price	HK\$0.30
Expected life	10 years
Expected volatility	53.87%
Dividend yield	0.00%
Risk-free interest rate	0.417%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The share option was vested immediately at the date of grant and is exercisable at any time up to the expiring date, i.e. 15 June 2030. The equity-settled share-based payments, amounted to RMB4,360,000, was wholly charged to administrative expenses in profit or loss during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

43 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group		Principal activities	Legal form
			31 December 2020	31 December 2019		
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
CFCG Investment Partners International (Singapore) PTE. LTD.	Singapore 24 May 2016	SGD2,000,000	100% (directly)	100% (directly)	Investment holding	Private limited liability company
FC Fund	PRC 14 September 2012	RMB500,000,000	100%	100%	Fund management	Domestic limited liability company
FC Guolian	PRC 26 April 2016	RMB318,000,000	100%	91.51%	Equity investment	Limited partnership
FC Lianxin	PRC 19 April 2016	RMB10,000,000	100%	60%	Investment management	Limited partnership
First Capital Asset Management Limited	Hong Kong 4 June 2014	HK\$43,000,000	100%	100%	Asset Management	Private limited liability company
First Capital Education Investment (Shenzhen) Company Limited* (首控教育投資(深圳)有限公司)	PRC 9 March 2016	RMB100,000,000	100%	100%	Investment holding	Domestic limited liability company
First Capital Education Selected Fund	Cayman Islands 15 August 2014	N/A	100%	N/A	Investment fund	Limited liability company
First Capital Finance Limited	Hong Kong 29 January 2015	HK\$10,000,000	100% (directly)	100% (directly)	Credit financing	Private limited liability company
First Capital Financial Capital Limited	Hong Kong 23 July 2015	HK\$100,000	100%	100%	Investment holding	Private limited liability company
First Capital Financial Group Limited	BVI 28 November 2012	US\$1	100% (directly)	100% (directly)	Investment holding	Private limited liability company

Notes to the Consolidated Financial Statements (Continued)

43 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group		Principal activities	Legal form
			31 December 2020	31 December 2019		
First Capital Global Education Investment SP	Cayman Islands 25 April 2016	N/A	63.42%	N/A	Investment fund	Segregated portfolio
First Capital International Finance Limited	Hong Kong 25 February 2016	HK\$54,000,000	100%	100%	Financial advisory	Private limited liability company
First Capital International Investments Holdings Limited	Hong Kong 23 September 2015	HK\$100,000,000	100%	100%	Investment holding	Private limited liability company
First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司)	PRC 23 December 2016	US\$2,000,000	100%	100%	Fund management	Domestic limited liability company
First Capital Securities Limited	Hong Kong 23 July 2015	HK\$300,000,000	100%	100%	Dealing and underwriting in Securities	Private limited liability company
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%	53.3%	Educational services	Non-enterprise entity
Fuzhou Quanyue Education Consulting Company Limited* (福州全悅教育諮詢有限公司)	PRC 28 July 2016	HK\$2,000,000	53.3%	53.3%	Educational consulting	Foreign invested limited liability company
Guang Da (China) Automotive Components Holdings Limited (“Guang Da”)	Hong Kong 14 June 2010	HK\$92,000,740	74%	74%	Investment holding	Private limited liability company
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%	53.3%	Educational services	Non-enterprise entity

Notes to the Consolidated Financial Statements (Continued)

43 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group		Principal activities	Legal form
			31 December 2020	31 December 2019		
Jinan Baofei	PRC 6 June 2016	RMB10,000,000	51%	51%	Investment holding	Domestic limited liability company
Jinan Shijiyinhua Experiment 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
Nanyang Cijan	PRC 23 June 2005	HK\$320,000,000	46.25%	51.8%	Research, development and manufacture of automobile shock absorber and suspension system products	Foreign invested limited liability company
Ordos Cijan Auto Shock Absorber Company Limited* (鄂爾多斯市漸減汽車減振器有限公司)	PRC 14 August 2012	RMB10,000,000	46.25%	51.8%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Shanghai Shenlian Investment Management Company Limited* (上海申聯投資管理有限公司)	PRC 30 March 2007	RMB2,000,000	100%	100%	Investment holding	Domestic limited liability company
Shenzhen First Capital International Business Consulting Limited* (深圳首控國際商務諮詢有限公司)	PRC 22 April 2015	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%	Investing holding	Foreign invested limited liability company

Notes to the Consolidated Financial Statements (Continued)

43 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group		Principal activities	Legal form
			31 December 2020	31 December 2019		
Sichuan Yujiage Hotel Management Company Limited* (四川裕嘉閣酒店管理有限公司)	PRC 1 August 2012	RMB120,000,000	100%	100%	Investment holding	Domestic limited liability company
Topford Vast International Co., Ltd.	BVI 19 July 2016	US\$50,000	53.3%	53.3%	Investment holding	Private limited liability company
Way Assauto S.r.l.	Italy 21 June 2011	Euro 110,000	46.25%	51.8%	Research, development of automobile shock absorber products	Private limited liability company
Xinjiang Edukeys	PRC 29 November 2016	RMB5,000,000	100%	100%	Education service	Domestic limited liability company
Xishan Education	PRC 19 April 2016	RMB5,000,000	53.3%	53.3%	Investment holding	Domestic limited liability company
Zhuhai First Capital Huijin Equity Investment Fund (Limited Partnership)* (珠海首控匯錦股權投資基金合夥企業(有限合夥)) ("Zhuhai Huijin")	PRC 13 June 2017	RMB100,000,000	N/A**	17.5%*	Capital Investment	Limited partnership

The Group is able to control the board of directors of the entity.

** Entity was deregistered during the year ended 31 December 2020.

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)

43 SUBSIDIARIES (Continued)

(b) Material non-wholly owned subsidiaries

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment	Proportion of ownership and voting rights held by non-controlling interest		(Loss)/profit for the year allocated to non-controlling interest		Accumulated non-controlling interest	
		31 December	31 December			31 December	31 December
		2020	2019	2020	2019	2020	2019
				RMB'000	RMB'000	RMB'000	RMB'000
Guang Da	The PRC	53.75%	48.2%	(17,765)	(60,364)	119,984	125,750
Jinan Baofei*	The PRC	49%	49%	(6,427)	(5,688)	53,694	60,121
Xishan Education [#]	The PRC	46.7%	46.7%	5,068	(10,039)	114,142	109,074
Zhuhai Huijin ^{##}	The PRC	–	17.5%	–	–	–	82,493
Individually immaterial subsidiaries with non-controlling interests				(9,380)	6,721	40,225	19,903
Total				(28,504)	(69,370)	328,045	397,341

* They are the consolidated affiliated entities.

^{##} During the year, Zhuhai Huijin has been de-registered.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination.

	Guang Da		Jinan Baofei		Xishan Education		Zhuhai Huijin	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	937,522	997,484	29,838	71,825	384,396	224,148	–	99,992
Non-current assets	756,289	848,557	227,357	231,074	609,867	721,184	–	–
Current liabilities	(1,338,293)	(1,474,504)	(167,343)	(200,347)	(640,337)	(594,871)	–	–
Non-current liabilities	(108,464)	(103,099)	(29,643)	(29,226)	(228,519)	(235,906)	–	–
Equity	127,070	142,688	6,515	13,205	11,265	5,481	–	17,499
Non-controlling interests	119,984	125,750	53,694	60,121	114,142	109,074	–	82,493

Notes to the Consolidated Financial Statements (Continued)

43 SUBSIDIARIES (Continued)

(b) Material non-wholly owned subsidiaries (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination. (Continued)

	Guang Da		Jinan Baofei		Xishan Education		Zhuhai Huijin	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	942,907	917,806	84,297	83,503	246,950	251,912	-	-
(Loss)/profit for the year	(32,942)	(135,715)	(13,117)	(11,632)	10,852	(24,886)	-	(1)
(Loss)/profit attributable to								
– owners of the Company	(15,177)	(75,351)	(6,690)	(5,944)	5,784	(14,847)	-	-
– non-controlling interests	(17,765)	(60,364)	(6,427)	(5,688)	5,068	(10,039)	-	-
Other comprehensive								
(loss)/income attributable to								
– owners of the Company	(441)	(4,824)	-	-	-	4	-	-
– non-controlling interests	(292)	3,844	-	-	-	4,598	-	-
Total comprehensive								
(loss)/income attributable to								
– owners of the Company	(15,618)	(80,175)	(6,690)	(5,944)	5,784	(14,843)	-	-
– non-controlling interests	(18,057)	(56,520)	(6,427)	(5,688)	5,068	(5,441)	-	-

Notes to the Consolidated Financial Statements (Continued)

44 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	37	225
Right-of-use assets	457	1,946
Interests in subsidiaries	328,905	334,142
Interests in joint ventures	52,046	87,016
Other receivables	8,417	–
Amounts due from subsidiaries	1,062,855	942,740
Amount due from a joint venture	–	9,344
	1,452,717	1,375,413
Current assets		
Other receivables	58,178	139,289
Financial assets measured at FVTPL	318,681	368,561
Security account balances	4,501	19,488
Bank balances and cash	19,882	5,696
	401,242	533,034
Total assets	1,853,959	1,908,447
LIABILITIES		
Non-current liabilities		
Borrowings – due after one year	316,968	373,266
Lease liabilities	–	515
	316,968	373,781
Current liabilities		
Other payables	37,588	18,665
Amounts due to subsidiaries	97,769	154,405
Borrowings – due within one year	624,854	622,473
Convertible bonds	751,692	721,925
Lease liabilities	472	1,464
	1,512,375	1,518,932
Total liabilities	1,829,343	1,892,713
Total assets less current liabilities	341,584	389,515
Net assets	24,616	15,734

Notes to the Consolidated Financial Statements (Continued)

44 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	2020 RMB'000	2019 RMB'000
OWNERS' EQUITY		
Share capital	84,283	84,283
Reserves	(59,667)	(68,549)
	24,616	15,734

The statement of financial position of the Company was approved by the board of directors of the Company on 30 March 2021 and were signed on its behalf.

Dr. Wilson SEA
Director

Dr. ZHU Huanqiang
Director

Notes to the Consolidated Financial Statements (Continued)

44 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	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 of presentation currency	–	–	125,128	–	125,128
Total comprehensive income/(loss)	–	–	125,128	(3,640,558)	(3,515,430)
At 31 December 2019	4,036,480	–	105,306	(4,210,335)	(68,549)
Profit for the year	–	–	–	126,846	126,846
Exchange difference arising on translation of presentation currency	–	–	(122,324)	–	(122,324)
Total comprehensive (loss)/income	–	–	(122,324)	126,846	4,522
Share-based payment	–	4,360	–	–	4,360
At 31 December 2020	4,036,480	4,360	(17,018)	(4,083,489)	(59,667)

45 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

46 EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 21 February 2020, the Company received a statutory demand from the legal representative of the holder of the convertible bonds, Champion Sense Global Limited (“**CSGL**”), 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. On 28 September 2020, a winding-up petition (the “**Petition**”) was presented by CSGL to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region for the winding up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The hearing of the Petition had been adjourned on 19 April 2021. Up to the date of report, the legal proceedings are still ongoing.

* For identification purposes only.

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:

"2020 Financial Year" or "Reporting Period"	the financial year ended 31 December 2020
"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. Liu Kun
"Co-CEO(s)" or "Co-Chief Executive Officer(s)"	the co-chief executive officer(s) of the Company
"Company" or "CFCG"	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 1269
"Company Secretary"	the company secretary of the Company
"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

Glossary (Continued)

“CSRC”	the China Securities Regulatory Commission
“Deloitte”	Deloitte Touche Tohmatsu
“Director(s)”	the director(s) of the Company
“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
“Latest Practicable Date”	19 April 2021, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
“Linksfield”	Linksfield CPA Limited
“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
“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

Glossary (Continued)

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Company
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“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
“US\$”	United States dollars, the lawful currency of the United States

Glossary *(Continued)*

“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



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

