CFCG

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

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

Annual Report 2021

首控文化

The Core Cultural Concepts of CFCG


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

About CFCG

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

Contents

Corporate Information

THE BOARD

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

STRATEGY COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Mr. CHAN Kwok Kee, Andy#

AUTHORISED REPRESENTATIVES

Dr. ZHU Huanqiang
Mr. CHAN Kwok Kee, Andy#

HONG KONG LEGAL ADVISER

Loeb & Loeb LLP

PRINCIPAL BANKERS

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

AUDITOR

Linksfield CPA Limited
Registered Public Interest Entity Auditor

with effect from 31 August 2021

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

Xipingtou Industrial Park
Xichuan County, Henan Province

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK EXCHANGE STOCK CODE

1269

COMPANY WEBSITE

http://www.cfcg.com.hk

with effect from 1 March 2021

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the 2021 Financial Year.

In 2021, with tremendous support from the Shareholders, customers, colleagues, and the society, the Group adhered to the diversified development strategy and drove the Group's development with the three major businesses of financial services, education management and consultation and automotive parts.

In 2021, the COVID-19 epidemic continued to rage through the world, with rapid spread of the mutated strains of Delta and Omicron as well as local clustered outbreaks in China from time to time. Epidemic prevention and control became normalised, making the global economy remain to be full of uncertainties. The epidemic was reshaping human society. Newborn matters such as artificial intelligence and Internet+ have entered every scenario of people's work and life. "Metaverse" quickly emerged as a popular concept, stimulating infinite imagination and possibilities between virtual and real worlds through high online-offline connectivity.

In 2021, Hong Kong's IPO market performed brilliantly, as the implementation of a series of reform measures by the Stock Exchange further consolidated Hong Kong's position as an international financial centre. The Group paid high attention to market dynamics and kept abreast of the market development trends, providing various entities with featured, differentiated and professional services by using multiple financial instruments and strategies, and promoting steady and sustainable development for every financial service business.

In 2021, the Group introduced quality education resources and partners in line with the requirements on regulating development of the industry and the future development trends of education. It provided advanced education concepts and a rich variety of programmes for students to access a full range of quality education services and grow into high-calibre talents equipped with an international vision and competitiveness for the new era. The Group also stepped up its R&D of overseas education service solutions and improved its services and planning for further education, with a view to enabling every student to be admitted into an ideal university.

In 2021, with the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", the Group's automotive parts business adhered to the vision of "Where there are cars, there is Cijan" and exerted its existing advantages on brands and technologies, to enhance the capacities of R&D of new products and new technology industrialisation, promote the supplier qualification examination of automobile manufacturers, and actively develop new markets both in the PRC and abroad.

Development opportunities and challenges will coexist in the new year. The Group will focus on the future, adhere to innovative business development, comply with policy and regulatory requirements, and leverage on the synergies between existing businesses to achieve industrial empowerment and create value. We are full of confidence and anticipation, wish to make progress along with our Shareholders, customers, colleagues and partners, and embark on a new journey together.

Wilson SEA
Chairman and Executive Director
31 March 2022

Management Discussion And Analysis

INTRODUCTION

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

BUSINESS REVIEW

Financial Services Business

The Group has obtained diversified financial service licences and established a consummate financial service system to provide various entities with featured, differentiated and professional financial services. FC Securities is licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. 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. First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司), a wholly-owned subsidiary of FC Asset Management, has been registered as a private equity fund manager with the Asset Management Association of China, which permits it to initiate establishment of or be entrusted for the management of private equity investment funds and venture capital funds. FC International Finance is licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and has been admitted by the SFC as a sponsor under the SFO. As such, FC International Finance can act as a sponsor for listing applicants in IPO, advise on matters in relation to the "Codes on Takeovers and Mergers and Share Buy-backs" formulated by the SFC, and advise listed companies in relation to the Listing Rules.

During the year under review, COVID-19 epidemic continued to spread around the world, with localised clustered outbreaks occurring from time to time in China, and epidemic prevention and control had become normalised. The Group's financial services business actively responded to the epidemic, and overcame the impacts on market expansion and customer development due to restriction measures under the prevention and control of the epidemic to ensure the stable and orderly operation of various businesses. The Group had paid high attention to market dynamics and kept abreast of the market development trends. It had strengthened communication with existing customers, assisted customers in capturing investment opportunities, and actively expanded potential customer bases in order to obtain more business opportunities. During the year under review, FC Securities and FC International Finance acted as a placing agent and a financial adviser, respectively, for certain projects of the Company, assisting the Company in completing projects such as issuance of new shares, the Share Consolidation and change in board lot size, major transactions of sale of shares and reorganisation of convertible bonds, etc. FC International Finance also acted as (i) a 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; (ii) an independent financial adviser to China ITS (Holdings) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1900) in relation to two connected transactions; (iii) an independent financial adviser to WINDMILL Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1850) in relation to a mandatory unconditional cash offer; and (iv) an independent financial adviser to Wealthking Investments Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1140) in relation to two connected transactions and refreshment of general mandate.

Education Management and Consultation Business

Education management and consultation business of the Group mainly operates the PGA (Project of Global Access) international high school curriculum and provides overseas study consultation services to students, and the campuses are located in Beijing, Shanghai, Xi'an, Hangzhou and Wuhan. During the year under review, local outbreaks of COVID-19 in Xi'an, Hangzhou and other places in China had affected the Group's operations in local campuses to varying degrees. The Group actively responded to the epidemic by strictly implementing the requirements of the local governments' epidemic prevention and control measures and utilising the "Internet + Education" model to provide both online and offline teaching, in order to balance the efforts in handling the prevention and control of the epidemic and education and teaching.

The Group has actively optimised the curriculum structure and increased the hours of teaching to enhance students' performance. Graduates have been admitted to top-ranked universities in the United Kingdom, the United States, Canada and Australia. In view of the difficulties of foreign teachers travelling to and from China under the epidemic context, the Group adjusted the engagement of foreign teachers to reduce the dependence on the same. It introduced excellent subject teachers and strengthened the subject teams to make every effort to improve the teaching quality. In terms of overseas study consultation services, the Group enhanced its R&D on overseas study service solutions, improved its guidance and planning of further education and enriched its diversified application service products. The Group also continued to adjust the campus structure by closing down ineffective campuses and opening new ones.

Automotive Parts Business

According to the statistics of the China Association of Automobile Manufacturers, approximately 26,082,000 and approximately 26,275,000 automobiles were produced and sold in China respectively during 2021, representing a year-on-year increase of approximately 3.4% and approximately 3.8% respectively, ending a downward trend for three consecutive years. In light of the development trend of technological change and ecological reshaping in the automotive industry, the Group's automotive parts business juggled the prevention and control of the epidemic and production and operation. By adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", it deepened its Amoeba management model, exerted its existing advantages on brands and technologies, ramped up the levels of product R&D and quality control to establish efficient and productive factories. With the vision of "Where there are cars, there is Cijan", the Group continued to optimise and improve the structures of its products and customers. While consolidating its existing markets, the Group deeply explored the potentiality of the market in order to develop new markets.

During the year under review, the Group had supplied absorbers for automobiles made by automotive manufacturers such as SAIC Motor, Dongfeng Passenger Vehicle, GM Wuling, BYD and Xpeng Motors. Having passed the examination of PSA, a French automobile manufacturer, the Group has become the global supplier of absorbers for Stellantis Group (formed by the merger of two major corporate groups, PSA Group and FCA Group) and obtained development licenses and sample orders for six models of three types of automobiles, including Peugeot 208. The Group received bulk orders from SAIC Motor for its self-developed Adaptive Damping System (ADS).

The Group also proactively fulfilled its corporate social responsibility by donating to Xichuan Red Cross* (淅川縣紅十字會) for reconstruction in the wake of heavy rainstorms and flooding in July 2021, following the donation of special funds to Xichuan Red Cross for the prevention of the COVID-19 epidemic in 2020.

OUTLOOK

Financial Services Business

Thanks to the operational innovation and institutional reform of the Stock Exchange, Hong Kong's stock market performed brilliantly. A total amount of approximately HK$328.9 billion had been raised from IPO on the Stock Exchange in 2021, making it the fourth largest stock exchange in the world in terms of IPO funds raised, and continuing to maintain its important position in the world. In the context of win-win cooperation in the Guangdong-Hong Kong-Macau Greater Bay Area, the return of China concept stocks and the listing of new economy companies and biotechnology companies in Hong Kong are expected to remain active. In addition, with the growing maturity in the operations of interconnection mechanisms such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect, the stocks of Hong Kong-listed biotechnology companies and stocks on the Shanghai Science and Technology Innovation Board were included in the scope of the Shanghai and Shenzhen-Hong Kong Stock Connects. As to Bond Connect, the "Southbound Trading Link" was officially implemented in the beginning of 2022, injecting new vitality and opportunities into Hong Kong and Mainland China capital markets and further promoting the interconnection between Hong Kong and Mainland China markets, and enhancing the common prosperity of the capital markets of Hong Kong and Mainland China.

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. Leveraging on its diversified financial service licences and consummate financial service system, the Group will enable business units including investment banking, securities, asset management and research to work more closely, innovate and upgrade its product and service systems, strengthen business synergy and collaboration, adhere to the strategies of differentiated and characteristic development, and elaborately build up and expand characteristic financial services. The Group will adhere to the core value of "All for the Customer" and proactively plans for the customers closely based on their needs, providing them with diversified and customised professional financial services.

Education Management and Consultation Business

Knowledge changes fate, and education shapes the future. Education is of potential productivity that can improve population quality and turn potential productivity into actuality. Education is the driving force for social development. The key element of competition of economy is the competition of science and technology, which 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.

Looking ahead to 2022, although the control of the epidemic in China is overall positive, and COVID-19 vaccination rates in major countries have reached relatively high levels, with SARS-CoV-2 variants occurring from time to time, the global epidemic may continue for a relatively long period of time. Different countries have adopted different strategies to control the epidemic. While China insists on reaching "dynamic zero", European countries and the United States seek to "coexist with the virus". Such differences create barriers to the movement and exchange of people across countries, especially between China and Europe and the United States. As such, the Group's international education business may face greater challenges.

The Group's education management and consultation business 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. It will enhance the cooperation with allied schools by leveraging on the brand and market influence of the PGA international curriculum, so as to establish a new type of international education service platform. By optimising the curriculum structure, enriching course contents, the Group will improve the quality of teaching and enhance students' performance. Meanwhile, the Group will upgrade the services for further education according to the needs and characteristics of school campuses and students, and design personalised solutions for overseas study services such as top-ranked university application for top students and provide convenient access and services for students to pursue further education and overseas study. The Group will optimise its organisational management system and develop standardised operational solutions to achieve the standardisation of course contents, teaching methods, team management, operational management, brand management and services for further education, so as to establish a streamlined and efficient workflow system.

Automotive Parts Business

With the growth of China's national economy and the implementation of the construction of a moderately prosperous society, the residents' income continues to rise and consumption keeps upgrading. Therefore, there is still more room for growth in the number of vehicles owned per one thousand people. Meanwhile, consumers are expecting higher car quality and automobile models are upgrading more rapidly. China's passenger car market has entered a stage of diversified and personalised development. Looking into the future, the automobile and automotive parts industries will face ever more opportunities and challenges. The Group will continue to implement effective development strategies to promote the development of its automotive parts business.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's overall revenue increased by approximately 6.2% to approximately RMB1,093.8 million from approximately RMB1,030.0 million in 2020, of which revenue from automotive parts business increased by approximately 7.6% to approximately RMB1,014.7 million from approximately RMB942.9 million in 2020, revenue from financial services business decreased by approximately 9.4% to approximately RMB28.0 million from approximately RMB30.9 million in 2020, and revenue from education management and consultation business decreased by approximately 9.1% to approximately RMB51.1 million from approximately RMB56.2 million in 2020. The increase in revenue was mainly due to the increase in sales of automotive parts business.

Cost of sales/services

For the year ended 31 December 2021, the Group's overall cost of sales/services increased by approximately 8.7% to approximately RMB923.5 million from approximately RMB849.2 million in 2020, of which cost of sales from automotive parts business increased by approximately 9.6% to approximately RMB889.0 million from approximately RMB810.8 million in 2020, cost of services from financial services business decreased by approximately 76.2% to approximately RMB0.5 million from approximately RMB2.1 million in 2020, and cost of services from education management and consultation business decreased by approximately 6.3% to approximately RMB34.0 million from approximately RMB36.3 million in 2020. The increase in cost of sales/services was mainly due to the increase in sales of automotive parts business.

Gross profit

For the year ended 31 December 2021, the Group's overall gross profit decreased by approximately 5.8% to approximately RMB170.3 million from approximately RMB180.8 million in 2020, of which gross profit from automotive parts business decreased by approximately 4.8% to approximately RMB125.7 million from approximately RMB132.1 million in 2020, gross profit from financial services business decreased by approximately 4.5% to approximately RMB27.5 million from approximately RMB28.8 million in 2020, and gross profit from education management and consultation business decreased by approximately 14.1% to approximately RMB17.1 million from approximately RMB19.9 million in 2020.

Gross profit margin

For the year ended 31 December 2021, the Group's overall gross profit margin decreased by approximately 2.0 percentage points to approximately 15.6% from approximately 17.6% in 2020, of which gross profit margin of automotive parts business decreased by approximately 1.6 percentage points to approximately 12.4% from approximately 14.0% in 2020, gross profit margin of financial services business increased by approximately 5.0 percentage point to approximately 98.2% from approximately 93.2% in 2020, and gross profit margin of education management and consultation business decreased by approximately 1.9 percentage points to approximately 33.5% from approximately 35.4% in 2020.

Other income and expenses

For the year ended 31 December 2021, the Group recorded other income of approximately RMB38.6 million, representing a decrease of approximately RMB2.9 million from approximately RMB41.5 million in 2020. Such income was primarily government grants.

Other losses

For the year ended 31 December 2021, the Group recorded other losses of approximately RMB173.4 million, representing an increase of approximately RMB155.9 million from approximately RMB17.5 million in 2020. Such losses primarily represented the unrealised (non-cash) 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 2021, the Group's provision on expected credit losses amounted to approximately RMB18.9 million, representing a decrease of approximately RMB84.3 million from approximately RMB103.2 million in 2020.

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 2021, the Group recorded impairment losses on goodwill, tangible and intangible assets of approximately RMB379.1 million, representing an increase of approximately RMB330.6 million from approximately RMB48.5 million in 2020. Such losses were mainly due to the impairment losses on goodwill arising from the deconsolidation of affected entities from the consolidated financial statements.

Selling and distribution expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses increased by approximately 170.3% to approximately RMB114.6 million from approximately RMB42.4 million in 2020. Such increase was mainly due to the increase in after-sale services expenses and other distribution expenses in the automotive parts business.

R&D expenditure

For the year ended 31 December 2021, the Group's R&D expenditure increased by approximately 10.9% to approximately RMB59.9 million from approximately RMB54.0 million in 2020. Such increase was mainly due to the increase in investment in the R&D centres of automotive parts business.

Administrative expenses

For the year ended 31 December 2021, the Group's administrative expenses decreased by approximately 30.0% to approximately RMB138.1 million from approximately RMB197.3 million in 2020. 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 2021, the Group's finance costs decreased by approximately 4.5% to approximately RMB197.4 million from approximately RMB206.8 million in 2020.

Taxation

For the year ended 31 December 2021, the Group's taxation was the income tax credit of approximately RMB1.7 million, representing a decrease of approximately RMB4.4 million as compared with the income tax credit of approximately RMB6.1 million in 2020. Such decrease was mainly due to the decrease in the PRC current income tax expense.

Loss for the year

For the year ended 31 December 2021, the Group recorded a loss of approximately RMB1,102.5 million, representing an increase of approximately 174.1% as compared with a loss of approximately RMB402.2 million in 2020. Such loss was mainly due to the loss arising from the deconsolidation of affected entities from the consolidated financial statements and the unrealised (non-cash) loss arising from the fair value changes of financial assets measured at FVTPL.

Loss per Share

For the year ended 31 December 2021, the basic and diluted loss per Share of the Group amounted to approximately RMB0.88, while the basic and diluted loss per Share amounted to approximately RMB0.37 in 2020 (adjusted with consideration of the effect of the Share Consolidation).

WORKING CAPITAL, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities

The Group adopts prudent financial policies, 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 2021, the Group's net current liabilities amounted to approximately RMB1,238.8 million, representing an increase of approximately 55.8% as compared with that of approximately RMB795.1 million as at 31 December 2020.

Financial position and borrowings

The Group's cash and bank balances are mostly denominated in RMB or HK$. As at 31 December 2021, the Group's cash and bank balances amounted to approximately RMB220.4 million, representing an increase of approximately 6.2% as compared with that of approximately RMB207.5 million as at 31 December 2020.

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 2021, the Group's total borrowings amounted to approximately RMB1,551.3 million, representing an increase of approximately 0.5% as compared with that of approximately RMB1,543.7 million as at 31 December 2020. Out of total borrowings, (i) borrowings due within one year amounted to approximately RMB1,077.7 million as at 31 December 2021, representing an increase of approximately 38.6% as compared with that of approximately RMB777.4 million as at 31 December 2020; (ii) borrowings due over one year but within two years amounted to approximately RMB185.5 million as at 31 December 2021, representing a decrease of approximately 51.4% as compared with that of approximately RMB381.7 million as at 31 December 2020; (iii) borrowings due over two years but within five years amounted to approximately RMB276.4 million as at 31 December 2021, representing an increase of approximately 5.6% as compared with that of approximately RMB261.7 million as at 31 December 2020; and (iv) borrowings due over five years amounted to approximately RMB11.8 million as at 31 December 2021, representing a decrease of approximately 90.4% as compared with that of approximately RMB122.9 million as at 31 December 2020.

As at 31 December 2021, approximately RMB1,265.3 million (31 December 2020: approximately RMB1,303.7 million) of the Group's total borrowings were subject to fixed interest rates.

As at 31 December 2021, the Group's gearing ratio, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 58.4% (31 December 2020: approximately 36.4%).

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2021, the Group's inventories amounted to approximately RMB76.1 million, representing a decrease of approximately 18.5% as compared with that of approximately RMB93.4 million as at 31 December 2020. Such decrease was mainly due to the decrease in finished goods due to optimisation of inventory management of automotive parts business.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2021, the Group's trade receivables amounted to approximately RMB455.6 million, representing a decrease of approximately 7.5% as compared with that of approximately RMB492.3 million as at 31 December 2020.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2021, the Group's trade payables amounted to approximately RMB577.4 million, representing an increase of approximately 14.1% as compared with that of approximately RMB506.1 million as at 31 December 2020. Such increase was mainly due to the increase in procurement of automotive parts business.

SIGNIFICANT INVESTMENT HELD

The financial assets measured at FVTPL of the Group were investments in securities listed on the Stock Exchange, Singapore Exchange Limited and Shanghai Stock Exchange as well as investments in unlisted entities. As at 31 December 2021, the fair value of such investments was approximately RMB391.3 million (31 December 2020: approximately RMB692.3 million), which was equivalent to approximately 12.8% (31 December 2020: approximately 15.5%) of the total assets of the Group as at 31 December 2021. For the year ended 31 December 2021, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB172.5 million (2020: approximately RMB135.3 million).

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

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the year ended 31 December 2021, the Group's capital expenditures amounted to approximately RMB44.6 million (2020: approximately RMB45.8 million), which were primarily the expenses of automotive parts business in respect of additions to properties, plants and equipment.

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

As at 31 December 2021, the Group's capital commitments in respect of additions to property, plant and equipment amounted to approximately RMB3.3 million (31 December 2020: approximately RMB7.1 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group did not have any immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

PLEDGE OF ASSETS

As at 31 December 2021, the Group's financial assets measured at FVTPL with a carrying amount of approximately RMB280.1 million (31 December 2020: approximately RMB420.7 million) and the Group's land, property and plant with a carrying amount of approximately RMB102.2 million (31 December 2020: approximately RMB150.9 million) had been pledged to acquire borrowings for the Group.

As at 31 December 2021, the Group's restricted bank balances with a carrying amount of approximately RMB192.1 million (31 December 2020: approximately RMB150.9 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 2021, the Group had 1,788 employees (31 December 2020: 3,611 employees). For the year ended 31 December 2021, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB174.2 million (2020: approximately RMB172.8 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonus may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of internal and external training courses. Share options 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 arise.

FOREIGN EXCHANGE RISK

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

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

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

For the year ended 31 December 2021, save as disclosed below, to the best knowledge and belief of the Directors, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

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

As disclosed in the Company's announcement dated 10 September 2021, (i) 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, from 5 January 2021 to 9 September 2021, had disposed of an aggregate of 5,621,476 shares ("**Guangan 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 Shanghai Stock Exchange (stock code: 600979), representing approximately 0.46% of the total issued shares of Guangan AAA as at 9 September 2021, of which the aggregate consideration was approximately RMB18.0 million (after deduction of the relevant transaction costs); and (ii) the Company proposed to seek approval for the disposal mandate (the "**Disposal Mandate**") from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 39,000,000 Guangan Shares, representing approximately 3.16% of the total issued share capital of Guangan AAA as at 10 September 2021, during the 12-month period from the date of the EGM. An ordinary resolution to approve the Disposal Mandate was passed by the Shareholders at the EGM held on 22 November 2021. For the year ended 31 December 2021, 5,240,000 Guangan Shares had been disposed of under the Disposal Mandate. For further information, please refer to the Company's announcements dated 10 September 2021 and 22 November 2021, and the Company's circular dated 29 October 2021.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

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

Date of agreement	Fund raising activity	Aggregate nominal value	Gross and net proceeds	Proposed use of proceeds	Actual use of proceeds as at 31 December 2021
7 June 2021	Top-up subscription of 227,000,000 new ordinary Shares at the price of HK$0.045 (approximately HK$0.043 net) per Share[1]	HK$4,540,000	Approximately HK$10.2 million and approximately HK$9.7 million	(i) approximately 95% for repayment of outstanding debts of the Group; and (ii) approximately 5% for general working capital of the Group	Approximately 10% (being approximately HK$1.0 million) had been applied for general working capital of the Group[3]
5 November 2021	Placing of 201,061,600 new ordinary Shares at the price of HK$0.205 (approximately HK$0.202 net) per Share[2]	HK$20,106,160	Approximately HK$41.2 million and approximately HK$40.7 million	(i) approximately 80% for repayment of outstanding debts of the Group; and (ii) approximately 20% for general working capital of the Group	Approximately 14.7% (being approximately HK$6.0 million) had been applied for general working capital of the Group

Notes:

1. The Company, Wealth Max and FC Securities, as placing agent, entered into a placing and subscription agreement, pursuant to which Wealth Max has agreed to (i) place, through the placing agent, on a best effort basis, a maximum of 227,000,000 placing Shares held by Wealth Max to the placees at a price of HK$0.045 per placing Share; and (ii) subscribe for such number of top-up subscription Shares equivalent to the number of placing Shares actually sold by Wealth Max under the placing at a price of HK$0.045 per top-up subscription Share. The market price of the Shares on 7 June 2021, being the date when the issuance terms were determined, was HK$0.052 per Share. The completion of the top-up subscription took place on 21 June 2021. As at the Latest Practicable Date, the unutilised net proceeds had been fully utilised. The placees are independent professional institutional or other investors, who are Independent Third Parties. The Directors considered that the top-up subscriptions would allow the Company to settle the indebted amounts concerned without utilising existing financial resources of the Group in order to reduce interest expenses, alleviate the repayment pressure of the Group and reduce cash outflow from the Group. Moreover, it would broaden the Company's shareholders base and reduce the gearing level of the Group. The Directors therefore consider that the terms of the relevant agreement are fair and reasonable, and the top-up subscriptions is in the interests of the Company and the Shareholders as a whole.

2. The Company and FC Securities, as placing agent, entered into a placing agreement, pursuant to which the placing agent procure not less than six placees to subscribe for up to 201,061,600 new Shares at a price of HK$0.205 per placing Share on a best effort basis. The market price of the Shares on 5 November 2021, being the date when the issuance terms were determined, was HK$0.255 per Share. The completion of the placing took place on 29 November 2021. The Company intends to use the unutilised net proceeds by June 2022, and the Company will review the expected timeline from time to time. The placees are independent professional institutional or other investors, who are Independent Third Parties. The Directors consider that the placing (i) enables the Company to raise capital required to repay debts of the Group and increase its general working capital; and (ii) represents an opportunity to broaden its shareholder base and to strengthen the financial position of the Group. The Directors therefore consider that the terms of the placing agreement are fair and reasonable, and the placing is in the interests of the Company and the Shareholders as a whole.

3. Prior to the completion of placing in June 2021, the Company intended to apply approximately 5% of the net proceeds (being approximately HK$0.5 million) for general working capital of the Group. However, the Group received more demands for settlement of expenses as expected during the period from July to October 2021. As a result, the Group applied approximately HK$1.0 million (being approximately 10% of the net proceeds) for general working capital by October 2021.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Wilson Sea

Dr. Wilson Sea ("**Dr. Sea**"), aged 58, was appointed as the Chairman and a non-executive Director on 27 April 2011 and was re-designated as the Chairman and an executive Director on 1 January 2015. He is responsible for the general strategic planning, business planning and co-ordination of the Group, as well as the supervision of the management's implementation and execution of the strategies. He is also a director of a number of subsidiaries of the Company.

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

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

Dr. Sea is the director and shareholder of Wealth Max, a Shareholder. As at the Latest Practicable Date, Dr. Sea is deemed to be interested in 75,935,800 Shares, representing approximately 5.64% of the total issued Shares. Dr. Sea is the brother-in-law of Dr. Wang Hui, the chief financial officer of the Company.

Mr. Zhao Zhijun

Mr. Zhao Zhijun ("**Mr. Zhao**"), aged 47, 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 52, was appointed as a deputy chief executive officer of the Company on 11 October 2016 and a Co-CEO on 26 July 2017. He was appointed as a Co-CEO and an executive Director on 30 January 2018 with effect from 1 February 2018. As a Co-CEO, Dr. Zhu is principally responsible for the management and development of the financial services business and education management and consultation business of the Group. He is also a director of a number of subsidiaries of the Company.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Wang, Peleus

Mr. Chu Kin Wang, Peleus ("**Mr. Chu**"), aged 57, was appointed as an INED on 19 October 2011. Mr. Chu has over 30 years of experience in corporate finance, audit, accounting and taxation.

Since 2018, Mr. Chu was or has been an executive director or a senior management of the following companies listed on the Main Board of the Stock Exchange: (a) Chinese People Holdings Company Limited (stock code: 681): an executive director from December 2008 to March 2015 and the deputy chairman and an executive director from March 2015 to October 2020; and (b) Momentum Financial Holdings Limited (stock code: 1152): an executive director from August 2021 to March 2022.

Since 2018, Mr. Chu was or has also been an independent non-executive director of the following companies listed on the Main Board or the GEM of the Stock Exchange: (a) Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117): since April 2007; (b) Huayu Expressway Group Limited (stock code: 1823): since May 2009; (c) SuperRobotics Holdings Limited (formerly known as SkyNet Group Limited) (stock code: 8176): from March 2012 to November 2021; (d) Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057): since September 2015; (e) Mingfa Group (International) Company Limited (stock code: 846): since November 2016; (f) Xinming China Holdings Limited (stock code: 2699): from April 2021 to August 2021; (g) Peking University Resources (Holdings) Company Limited (stock code: 618): since October 2021; and (h) Hyfusin Group Holdings Limited (stock code: 8512): since December 2021.

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

Dr. Du Xiaotang

Dr. Du Xiaotang ("**Dr. Du**"), aged 48, was appointed as an INED on 19 July 2019. Dr. Du has approximately 20 years of experience in corporate finance, capital market, private equity investment, merger and acquisitions and legal compliance advisory to listed companies.

Dr. Du commenced his career in Henan University as a teacher from July 1996 to June 2002. From June 2003 to July 2013, Dr. Du was an associate and a partner at Grandall Law Firm successively, a law firm in the PRC. 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 Shenzhen Stock Exchange (stock code: 000510).

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

Mr. Loo Cheng Guan

Mr. Loo Cheng Guan ("**Mr. Loo**"), aged 58, was appointed as an INED on 17 February 2020. Mr. Loo has over 30 years of experience in mergers and acquisitions, private equity and corporate finance.

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

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

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

SENIOR MANAGEMENT

Mr. Chan Kwok Kee, Andy

Mr. Chan Kwok Kee, Andy ("**Mr. Chan**"), aged 49, was appointed as the Company Secretary on 31 August 2021.

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

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

Dr. Wang Hui

Dr. Wang Hui ("**Dr. Wang**"), aged 43, was appointed as the chief financial officer of the Company on 31 December 2015. He is also a director of a number of subsidiaries of the Company. Dr. Wang is the brother-in-law of Dr. Sea.

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

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

Ms. Sun Bo

Ms. Sun Bo ("**Ms. Sun**"), aged 47, was appointed as a deputy chief executive officer of the Company on 1 January 2015. Ms. Sun is responsible for the operation and management of several financial services business units of the Group. She is also a director of a number of subsidiaries of the Company.

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

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

Mr. Zong Bin

Mr. Zong Bin ("**Mr. Zong**"), aged 45, was appointed as a deputy chief executive officer of the Company on 25 April 2017. Mr. Zong is responsible for the operation and management of several financial services business units and certain educational projects of the Group. 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 First Capital Fund Management Company Limited* (首控基金管理有限公司) 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.

Ms. Liu Chang

Ms. Liu Chang ("**Ms. Liu**"), aged 41, was appointed as the chief operating officer of the Company on 25 February 2019. Ms. Liu is responsible for (i) integrated management of daily operation matters of the middle and back office of the Group; (ii) enhancing management standard of various department of the middle and back office of the Group; and (iii) facilitating collaboration and cooperation among various departments of the Group. She is also a director of a subsidiary of the Company.

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

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

Directors' Report

The Board hereby presents this annual report together with the audited consolidated financial statements of the Group for the 2021 Financial Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

SUBSIDIARIES

Details of the principal activities of the Company's principal subsidiaries as at 31 December 2021 are set out in the Notes to the Consolidated Financial Statements of this annual report.

CORPORATE GOVERNANCE

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

RESULTS

The results of the Group for the 2021 Financial Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

FINANCIAL SUMMARY

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

DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the Shareholders, pursuant to the Articles of Association and all applicable laws and regulations. The Company has adopted a dividend policy (the "**Dividend Policy**") that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value.

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

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the 2021 Financial Year (2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2021 Financial Year, sales to the Group's five largest customers accounted for approximately 43.1% of the total revenue of the Group (2020: approximately 53.9%), of which sales to the largest customer accounted for approximately 17.4% (2020: approximately 18.9%).

For the 2021 Financial Year, purchases from the Group's five largest suppliers accounted for approximately 33.5% of the total purchases of the Group (2020: approximately 37.5%), of which purchases from the largest supplier accounted for approximately 8.7% (2020: approximately 9.2%).

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 2021, the Group had property, plant and equipment at carrying value of approximately RMB485.2 million (31 December 2020: approximately RMB938.1 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

BORROWINGS

As at 31 December 2021, the Group's total borrowings amounted to approximately RMB1,551.3 million (31 December 2020: approximately RMB1,543.7 million). Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

CAPITALISED INTERESTS

For the 2021 Financial Year, the Group did not capitalise any interest expenses related to properties under construction development (2020: Nil).

DONATIONS

For the 2021 Financial Year, the Group made charitable and other donations totalling RMB1,100,000 (2020: RMB1,032,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2021 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 2021 Financial Year are set out in the Consolidated Statement of Changes of Equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company was nil (31 December 2020: Nil), as the Company's accumulated loss exceeded the share premium.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

A. Summary of the Share Option Scheme 2021

1. Purpose

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

2. Eligible Participants

The Board may at its discretion offer options to any non-executive Director or INED, any employee (whether full time or part time employee, including any executive Director but excluding any non-executive Director) of the Group or any invested entity, and any customer, supplier, agent, business or joint venture partner, consultant, distributor, promoter, service provider, adviser or contractor of any member of the Group or any invested entity. The abovementioned persons are collectively referred to as "**Eligible Participants**" and each an "**Eligible Participant**".

3. Maximum number of Shares available for subscription

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme 2021 was 100,537,840 Shares (as adjusted for the Share Consolidation), representing approximately 7.47% of the total number of Shares in issue 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 2021 and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. Options may not be granted under any schemes of the Company (including the Share Option Scheme 2021) if this will result in the said 30% limit being exceeded.

4. Maximum entitlement of each Eligible Participant

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

5. Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme 2021 at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the date of grant. There is no minimum period for which an option must be held before it can be exercised.

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

6. **Subscription price**

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

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

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

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

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

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

   The Share Option Scheme 2021 will remain in force for a period of 10 years from the date of its adoption. The remaining life of the Share Option Scheme 2021 is approximately 9 years and 2 months as at the date of this annual report.

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

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

B. Options granted by the Company

For the 2021 Financial Year, no share options were granted or agreed to be granted under the Share Option Scheme 2011 or the Share Option Scheme 2021 by the Company. As at 31 December 2021, no share options under the Share Option Scheme 2021 were outstanding, the following share options were outstanding under the Share Option Scheme 2011:

				Number of share options				
Category of participant	**Date of grant**	**Exercise period**	**Exercise price per Share**	**Outstanding as at 1 January 2021**	**Granted during the 2021 Financial Year**	**Exercised during the 2021 Financial Year**	**Lapsed/ cancelled during the 2021 Financial Year**	**Outstanding as at 31 December 2021**
Employee	16 June 2020	16 June 2020 to 15 June 2030	HK$1.50	10,000,000 (as adjusted for the Share Consolidation)	–	–	–	10,000,000

Note: The share options granted on 16 June 2020 were fully vested immediately. The closing price per Share as stated in the Stock Exchange's daily quotation sheet immediately proceeding the date of grant was HK$0.985 (as adjusted for the Share Consolidation). The fair value of the share options granted as at the date of grant was approximately HK$4,780,000 (equivalent to approximately RMB4,363,000), which is subject to a number of assumptions and the limitation of the pricing model, and therefore may be subjective and uncertain. The number of share options granted and remaining outstanding under the Share Option Scheme 2011 was adjusted to 10,000,000 and the exercise price of which was adjusted to HK$1.50 per Share upon the Share Consolidation which became effective on 20 August 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the 2021 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 2021 Financial Year and up to the date of this annual report are:

Executive Directors

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

Independent Non-Executive Directors

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

CHANGES OF DIRECTORS AND DIRECTORS' INFORMATION

For the 2021 Financial Year and up to the date of this annual report, save as disclosed in this annual report, there have 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 not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. According to Article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. Mr. Zhao Zhijun, an executive Director and Mr. Loo Cheng Guan, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 9 June 2021 and both were re-elected. Dr. Wilson Sea, an executive Director and Mr. Chu Kin Wang, Peleus, an INED, will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

PROFILES OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from 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 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in Shares

Name	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Wilson Sea	Interest of controlled corporation	75,935,800	5.64%

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 2021, none of the Directors or the chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

For the 2021 Financial Year, none of the Directors or the chief executives of the Company (including their respective spouse and/or children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, warrants or debentures (if applicable) of the Company or any of its associated corporations.

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

As at 31 December 2021, 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	75,935,800[3]	5.64%
Wang Lily[2]	Interest of spouse	75,935,800[3]	5.64%
Chuang Yue[4]	Beneficial owner	133,340,000[6]	9.91%
Shenmane.D Co., Limited[4]	Interest of controlled corporation	133,340,000[6]	9.91%
Golden Cloud Co., Limited[4]	Interest of controlled corporation	133,340,000[6]	9.91%
Liu Kun[4]	Interest of controlled corporation	133,340,000[6]	9.91%
Sze Ka Wo[5]	Other	133,340,000[6]	9.91%
Champion Sense Global Limited ("**Champion Sense**")[7]	Person having a security interest in shares	133,340,000	9.91%
	Beneficial owner	47,094,801	3.50%
		180,434,801[8]	13.41%
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	180,434,801[8]	13.41%
China Huarong Asset Management Co., Ltd.[7]	Interest of controlled corporation	180,434,801[8]	13.41%

Notes:

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

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

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

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

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

6. 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.

7. 133,340,000 Shares held by Chuang Yue have been charged in favour of Champion Sense. Upon full exercise of conversion rights of the convertible bonds issued by the Company, 47,094,801 Shares will be issued to Champion Sense.

   Champion Sense is indirectly owned as to 100% by Huarong Huaqiao, which is in turn indirectly owned as to 91% by China Huarong 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 under the SFO.

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

Save as disclosed above, as at 31 December 2021, no other person had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the 2021 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(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time for the 2021 Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTEREST

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

CONTRACT OF SIGNIFICANCE

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

CONNECTED TRANSACTION

For the 2021 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 2021 Financial Year is set out in the Notes to the Consolidated Financial Statements of this annual report.

REMUNERATION POLICY

As at 31 December 2021, the Group had 1,788 employees (31 December 2020: 3,611 employees). For the 2021 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB174.2 million (2020: approximately RMB172.8 million). Based on the Group's remuneration policy, the remuneration of employees is primarily determined based on the job responsibilities, work experience, job performance and length of service of each employee and the prevailing market condition. 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.

The remuneration of the senior management of the Company, including the executive Directors, for the 2021 Financial Year by remuneration band is set out below:

Remuneration band (HK$'000)	**Number of individuals**
0 to 500	2
501 to 1,000	6
1,001 to 1,500	0
1,501 to 2,000	1
2,001 to 2,500	1

RETIREMENT SCHEME

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

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

For the 2021 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 (2020: approximately RMB13.3 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 2021 Financial Year by the Group.

CONTRACTUAL ARRANGEMENTS

A. 51% interest of Yinghua School

Information about the operating subsidiaries

Yinghua School is a boarding school providing K-12 education, comprising primary school, middle school and high school, in the PRC. The interest in Yinghua School is held by Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司) ("**Jinan Baofei**"). The registered shareholders of Jinan Baofei are Shenzhen Zhuochuang Education Co., Ltd.* (深圳灼創教育有限公司) ("**FC Education**"), 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 eight months ended 31 August 2021, the revenue of Yinghua School amounted to approximately RMB54.2 million (2020: approximately RMB84.3 million). As at 31 August 2021, the total assets of Yinghua School amounted to approximately RMB178.7 million (31 December 2020: approximately RMB257.2 million).

Reasons for the contractual arrangements

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

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

Contractual arrangements in place

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

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

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

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

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

B. 53.3% interest of Xishan Schools

Information about the operating subsidiaries

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

For the eight months ended 31 August 2021, the revenue of Xishan Schools amounted to approximately RMB223.8 million (2020: approximately RMB246.9 million). As at 31 August 2021, the total assets of Xishan Schools amounted to approximately RMB756.4 million (31 December 2020: approximately RMB994.3 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* (福州全悦教育諮詢有限公司) ("**Fuzhou WOFE**"), Xishan Education, the registered shareholders of Xishan Education, Fujian Company, Jiangxi Company and Xishan Schools. Through such contractual arrangements, the Group exercises control over Xishan Schools and their financial results, the economic benefits and risks of the business flow to the Group. The structured contracts under the contractual arrangements are used solely for addressing the aforementioned foreign ownership restriction and are narrowly tailored to achieve the Group's business purpose. If it becomes permissible under the relevant PRC laws and regulations for the Group to hold the interest in Xishan Schools and to engage in the business, the Group will exercise the options under the exclusive option agreements as soon as practicable and the structured contracts shall be terminated.

Contractual arrangements in place

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

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

(ii) the shareholders' entrustment letters and 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.

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

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

(v) the shareholders' entrustment letters and 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.

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

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

C. The Impact of the Implementation Regulations

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

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

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

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

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

Based on the accounts of the Group, (i) the total assets of the Affected Entities as at 31 August 2021 amounted to approximately RMB931 million, (ii) the net assets of the Affected Entities as at 31 August 2021 amounted to approximately RMB280 million, (iii) the revenue generated from the business of the Affected Entities amounted to approximately RMB219 million for the eight months ended 31 August 2021, and (iv) the net profit from the business of the Affected Entities amounted to approximately RMB30 million for the eight months ended 31 August 2021.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the policy of the Group to promote clean operation. The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. A separate 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 2021 Financial Year, the Group's business and operation were mainly carried out by the subsidiaries of the Company in the PRC and Hong Kong. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. Save for mentioned herein, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

For the 12-month period immediately preceding 9 September 2021, Yujiage Co. has disposed of an aggregate of 21,634,276 Guangan Shares (out of which, an aggregate of 16,012,800 Guangan Shares were disposed of between 25 September 2020 and 29 December 2020) for an aggregate consideration of approximately RMB70.1 million (after deduction of relevant transaction costs) received in cash on the Shanghai Stock Exchange. From 16 October 2020 to 29 December 2020, Yujiage Co. has acquired an aggregate of 14,279 Guangan Shares for an aggregate consideration of approximately RMB47,000 (including relevant transaction costs) in cash on the Shanghai Stock Exchange.

As disclosed in the announcement of the Company dated 10 September 2021, from 5 January 2021 to 9 September 2021, Yujiage Co. has disposed of an aggregate of 5,621,476 Guangan Shares on the Shanghai Stock Exchange at the aggregate consideration of approximately RMB18.0 million (after deduction of the relevant transaction costs) (the "**Disposal**").

The highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, when aggregated with disposals and acquisition of the Guangan Shares made by Yujiage Co. within twelve months immediately preceding the Disposal, exceeded 25% but less than 75% upon the transaction conducted on 8 September 2021, after which transactions in aggregate constitute a major transaction for the Company under Chapter 14 of the Listing Rules and became subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company became aware of the non-compliance of the relevant Listing Rules provisions, including Rules 14.34, 14.38A and 14.40 (to the extent applicable), on 10 September 2021 when department of the Group in the PRC responsible for trading the Guangan Shares notified the relevant staff of the Group stationed in Hong Kong and responsible for overseeing general compliance of the non-compliant transactions made on 8 and 9 September 2021. Yujiage Co. did not conduct trading of the Guangan Shares between 11 March 2021 and 7 September 2021 and the staff of the Group in the PRC responsible for the trading mistakenly calculate the percentage ratios of the transactions made in September 2021 without including the effect of the Share Consolidation with effect from 20 August 2021, thus leading to the non-compliance. The Board was not aware of the non-compliance until the Hong Kong office of the Group was notified of the relevant transactions took place on 8 and 9 September 2021 and took immediate actions to suspend further trading and published the announcement dated 10 September 2021 in relation to the Disposal Mandate and the Possible Disposal(s) recognising the size of the relevant transactions under the Listing Rules. The Company regrettably admitted the aforesaid non-compliance due to oversights and would like to emphasise that the such non-compliance was inadvertent and unintentional.

For further details, please refer to the announcement of the Company dated 13 September 2021 and the circular of the Company dated 29 October 2021.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2021, save as disclosed below, to the best of the knowledge and belief of the Directors, the Group had not been involved in any significant legal proceedings or arbitration and there are no significant legal proceedings or claims pending or threatened against the Group.

On 28 September 2020, a winding-up petition (the "**Petition**") was presented by Champion Sense, a holder of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$800,000,000 issued by the Company in 2017, to the High Court for the winding up of the Company in relation to the outstanding principal of the Convertible Bonds and the then accrued interest in an aggregate amount of HK$863,406,849.32. The Petition was dismissed on 21 February 2022. For further information, please refer to the Company's announcements dated 30 September 2020, 23 December 2020, 28 December 2020, 8 February 2021, 16 April 2021, 14 July 2021, 15 October 2021, 14 January 2022 and 21 February 2022.

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

AUDITOR

Linksfield is the Auditor. Linksfield has audited the consolidated financial statements of the Group for the 2021 Financial Year and it does not express an opinion on such consolidated financial statements. For further information, please refer to the Independent Auditor's Report of this annual report.

Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the Auditor with effect from 23 December 2020. The Board resolved to appoint Linksfield as the new Auditor with effect from the same date 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 was approved by the Shareholders at the AGM held on 9 June 2021. According to the Articles of Association, Linksfield shall hold office until the conclusion of the next AGM. A resolution to re-appoint Linksfield as the Auditor will be proposed for approval by the Shareholders at the forthcoming AGM.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Audit Committee has reviewed the Group's audited consolidated financial statements and annual results for the 2021 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Thursday, 23 June 2022. 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 Monday, 20 June 2022 to Thursday, 23 June 2022, 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 Friday, 17 June 2022, for registration.

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

The annual report of the Company for the 2021 Financial Year, in both English and Chinese versions, will be despatched to the Shareholders according to their choice of means of receipt and language of Corporate Communications, and will also be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk in due course.

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

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

SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

As disclosed in the Company's announcement dated 9 July 2021, the Board proposed that (i) every five issued and unissued existing Shares of par value of HK$0.02 each in the share capital of the Company be consolidated into one consolidated Share of par value of HK$0.10 each; and (ii) conditional upon the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange be changed from 2,000 existing Shares to 10,000 consolidated Shares per board lot ("**Change in Board Lot Size**"). An ordinary resolution to approve the Share Consolidation was passed by the Shareholders at the EGM held on 18 August 2021. The Share Consolidation and the Change in Board Lot Size became effective on 20 August 2021. For further information, please refer to the Company's announcements dated 9 July 2021 and 18 August 2021, and the Company's circular dated 27 July 2021.

SUBSEQUENT EVENT

Reorganisation and amendment of the terms and conditions of the Convertible Bonds

On 13 January 2022, the Company, Champion Sense and Principal Global Investment Limited entered into a framework agreement for the purposes of, among others, setting forth the terms and conditions in relation to the reorganisation of the Convertible Bonds. As part of arrangements for the reorganisation of the Convertible Bonds, additional security documents were entered into on 1 December 2021, and a Convertible Bonds purchase agreement and a Convertible Bonds amendment and restatement Agreement (the "**Amendment and Restatement Agreement**") were entered into on 13 January 2022. Pursuant to the Amendment and Restatement Agreement, the Company and Champion Sense agreed on the amendments to the terms and conditions of the Convertible Bonds which include, among others, (i) a change of the maturity date of the Convertible Bonds; and (ii) a change of the conversion price of the Convertible Bonds. For further information, please refer to the Company's announcements dated 13 January 2022 and 11 March 2022.

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
31 March 2022

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTISES

For the 2021 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 (except for the code provision C.1.3, for which the Company did not disclose in the Corporate Governance Report of 2020 annual report the relevant information at length due to misapprehension of the Listing Rules and the Company issued an announcement dated 8 June 2021 supplementing relevant disclosure in the 2020 annual report with more details). Save as mentioned above, none of the Directors is aware of any information which would reasonably indicate that the Company has not been in compliance with the Corporate Governance Code for the 2021 Financial Year and up to the date of this annual report.

The Board as a whole is responsible for performing the corporate governance duties set out in the Corporate Governance Code. The Board reviews at least annually the corporate governance practises of the Company to ensure its continuous compliance with the Corporate Governance Code and make appropriate changes if considered necessary. For the 2021 Financial Year, the Board had performed the corporate governance duties set out in the Corporate Governance Code.

DIRECTORS

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

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

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs, representing at least one-third of the Board and with at least one of them having appropriate professional qualifications or accounting or related financial management expertise throughout the 2021 Financial Year.

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

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

Appointment and Re-election of Directors

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

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

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

Mr. Zhao Zhijun, an executive Director and Mr. Loo Cheng Guan, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 9 June 2021 and both were re-elected.

Responsibilities of Directors

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

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

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all the Directors had complied with the required standards set out in the Model Code for the 2021 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 2021 Financial Year.

THE BOARD

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

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

Notes:

C – chairman M – member

Profiles of the Directors are set out in the Profiles of Directors and Senior Management of this annual report and are published on the website of the Company. The Board members have no financial, business, family or other material/relevant relationship with each other.

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

The Company provides briefings and other trainings to develop and refresh the Directors' knowledge and skills. The Company together with its legal adviser, continuously update the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure that they are aware of their responsibilities under the applicable laws and regulation, and enhance their awareness of good corporate governance practices. For the 2021 Financial Year, the Company provided training material to all the Directors (being Dr. Wilson Sea, Mr. Zhao Zhijun, Dr. Zhu Huanqiang, Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan) covering various topics relating to the Listing Rules and the SFO. All the Directors received adequate directors' training.

For the 2021 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 of the Company; (iii) reviewed and monitored the implementation and effectiveness of policy on Board diversity and the mechanism for the Directors to achieve independent views and opinions; (iv) reviewed and monitored the implementation and effectiveness of Shareholders' communication policy; (v) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (vi) developed, reviewed and monitored the code of conduct applicable to the Directors and employees; and (vii) reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

Board Meetings

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

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The Company established the Audit Committee pursuant to Rules 3.21 and 3.22 of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the requirements of the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the 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 Audit Committee is responsible for, among others, (i) the relationship with the Auditor; (ii) reviewing the Group's financial information; and (iii) reviewing and supervising the effectiveness of the Group's financial reporting systems and internal control systems.

The Audit Committee holds meetings at least twice a year. For the 2021 Financial Year, three meetings of the Audit Committee were held. The Audit Committee has reviewed the Group's interim results, the annual results and the audited consolidated financial statements for the 2021 Financial Year. They expressed no disagreement with the accounting policies and principles adopted by the Group. The Audit Committee has reviewed the effectiveness of the Group's financial control and internal control system as well as the internal audit function. The Audit Committee has also reviewed the independence and objectivity of the Auditor and the effectiveness of audit process. The Audit Committee has recommended to the Board on the re-appointment of Linksfield as the Auditor for the coming year and the related resolution shall be put forth at the forthcoming AGM.

For the 2021 Financial Year, the Auditor provided, among others, interim review service and annual audit service. The total fees paid/payable in respect of the services by the Company amounted to approximately RMB2.8 million, of which approximately RMB1.8 million was fees of audit services. The Audit Committee considers that the provision of non-audit services by Linksfield does not impair its judgement and independence for acting in the capacity as the Auditor.

Nomination Committee

The Company established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the 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, among others, (i) formulating policy for the nomination of the Directors; (ii) identifying individuals suitably qualified to become members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (iii) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors.

The Nomination Committee holds a meeting at least once a year. For the 2021 Financial Year, one meeting of the Nomination Committee were held. The Nomination Committee has reviewed the selection procedures for individuals for directorship after considering different criteria including appropriate professional knowledge and industry experience. The Nomination Committee has 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.

Remuneration Committee

The Company established the Remuneration Committee pursuant to Rules 3.25 and 3.26 of the Listing Rules on 19 October 2011, with written terms of reference in compliance with the Corporate Governance Code and published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the 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, among others, (i) making recommendations to the Board on the policy and structure of remuneration for the Directors and senior management of the Company; and (ii) ensuring that no Directors or any of their associates are involved in deciding that Director's own remuneration.

The Remuneration Committee holds a meeting at least once a year. For the 2021 Financial Year, one meeting of the Remuneration Committee were held. The Remuneration Committee has reviewed the policy and structure of remuneration for the executive Directors and 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 their duties and responsibilities and subject to a review by the Remuneration Committee. Details are set out in the Notes to the Consolidated Financial Statements of this annual report.

Strategy Committee

The Company established the Strategy Committee on 28 March 2013, with written terms of reference published on the website of the Company. As at the date of this annual report, the 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, ensure the development plans, enhance the core competitiveness, optimise the governance structure, strengthen the scientific decision-making and uplift the efficiency and quality of investment decisions.

The Strategy Committee holds a meeting at least once a year. For the 2021 Financial Year, one meeting of the Strategy Committee was held. The Strategy Committee has reviewed the overall strategy and development plan of the Group.

Risk Management Committee

The Company established the Risk Management Committee on 31 December 2015, with written terms of reference published on the websites of the Stock Exchange and the Company. As at the date of this annual report, the 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.

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

The Risk Management Committee holds a meeting at least once a year. For the 2021 Financial Year, one meeting of the Risk Management Committee was held. The Risk Management Committee has reviewed the policies, guidelines and effectiveness of the work on risk management, internal control systems and environmental, social and governance of the Group. The Risk Management Committee has also reviewed the training and continuous professional development of the Directors and senior management of the Company.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of the Directors at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Strategy Committee, the Risk Management Committee, the Chairman and INEDs meeting and the general meeting for the 2021 Financial Year are set out in the following table:

	Meetings attended/Meetings held							
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Risk Management Committee	Chairman and INEDs meeting	General meeting
Executive Directors								
Dr. Wilson SEA *(Chairman)*	6/6	N/A	1/1	N/A	1/1	1/1	1/1	3/3
Mr. ZHAO Zhijun *(Co-CEO)*	7/8	N/A	N/A	1/1	1/1	N/A	N/A	1/3
Dr. ZHU Huanqiang *(Co-CEO)*	8/8	N/A	N/A	N/A	1/1	1/1	N/A	3/3
Independent Non-Executive Directors								
Mr. CHU Kin Wang, Peleus	8/8	3/3	1/1	1/1	N/A	1/1	1/1	3/3
Dr. DU Xiaotang	8/8	3/3	N/A	1/1	N/A	N/A	1/1	3/3
Mr. LOO Cheng Guan	8/8	3/3	1/1	N/A	1/1	N/A	1/1	3/3

CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICERS

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

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

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

COMPANY SECRETARY

Mr. Hung Man Yuk, Dicson resigned as the Company Secretary and the authorised representative of the Company (the "**Authorised Representative**") with effect from 31 August 2021 due to his intention to devote more time to his other business development. Mr. Hung confirmed that he has no disagreement with the Board and there is no matter that needs to be brought to the attention of the Stock Exchange or the Shareholders in relation to his resignation.

The Company appointed Mr. Chan Kwok Kee, Andy as the Company Secretary and Authorised Representative with effect from 31 August 2021, and Mr. Chan is responsible for all the secretarial services. Mr. Chan confirmed that he took not less than 15 hours of relevant professional training for the 2021 Financial Year.

MANAGEMENT FUNCTION

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

DIVERSITY POLICY AND MEASURES

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

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

For the 2021 Financial Year, female members accounted for approximately 32% of all employees (including senior management) of the Group. Based on the principle of talent orientation and in accordance with the business mode and specific up-to-date needs of the Group, and taking full account of the benefits of employee gender diversity, the Company reviews the gender ratio from time to time to achieve the good balance in employee gender diversity.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the Group's financial statements for the 2021 Financial Year which give a true and fair view of the financial position of the Group and in accordance with the statutory requirements and applicable accounting standards. The Company's annual report is prepared and published in accordance with the Listing Rules and the Hong Kong Financial Reporting Standards in a timely manner. The Directors are provided with adequate information to enable them to make an informed assessment of financial and other information on matters for their approval.

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

Risk management and internal control

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

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

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

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

For the 2021 Financial Year, the Board had, through the Audit Committee and Risk Management Committee, performed annual review on the effectiveness of the Group's risk management and internal control systems, covering all material controls such as financial, operational and compliance controls, including but not limited to the changes in the nature and extent of significant risks (including environmental, social and governance risks), the Group's ability to respond to changes in its business and the external environment, the scope and quality of the ongoing monitoring of risks (including environmental, social and governance risks) and the internal control systems by the Group's management, the extent and frequency of communication of monitoring results to the Board, significant control failings or weaknesses identified during the period and their impacts, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. When the Board performed annual review, it also ensured the adequacy of the resources, staff qualifications and experiences, training programmes and budget of the Group's accounting, internal audit, financial reporting function as well as those relating to the Group's environmental, social and governance performance and reporting. The Board considers that the Group's existing risk management and internal control systems are effective and adequate.

Directors' Responsibility Statement

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

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

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

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

SHAREHOLDERS' RIGHTS

Procedures for convening EGMs and putting forward proposals at general meetings

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Requisitionist(s)**") shall at all times have the right, by written requisition (the "**Requisition**") to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in the Requisition. The Requisition shall be lodged with the Company's principal place of business in Hong Kong at 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. If the Board fails to proceed to convene the EGM within 21 days after the deposit of the Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to raise enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 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, corporate communications, financial information and other information are posted.

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

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in 2021 Financial Year and was satisfied with the implementation and effectiveness of the shareholders communication policy.

Voting by poll

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

AMENDMENT ON THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There was no amendment on the Company's memorandum and the Articles of Association for the 2021 Financial Year.

ASSESSMENT OF UNCERTAINTIES RELATING TO GOING CONCERN

Multiple Uncertainties Relating to Going Concern

For the year ended 31 December 2021, the Group reported a loss attributable to owners of the Company of approximately RMB968 million. As at 31 December 2021, the Group had accumulated losses and deficit in equity of approximately RMB944 million and approximately RMB788 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,239 million. As at the same date, the Group's total borrowings and Convertible Bonds amounted to approximately RMB2,376 million, of which the total current borrowings and Convertible Bonds amounted to approximately RMB1,902 million, while its bank balances and cash amounted to approximately RMB220 million only. In addition, in December 2019, the Group was in default to redeem the Convertible Bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the Convertible Bond to the High Court 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 2021, the winding-up petition was awaiting hearing and the outstanding principal and accrued interest of the Convertible Bonds amounted to approximately RMB825 million, and were classified as current liabilities. As at the same date, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB366 million were in default due to late or overdue for payment.

The Auditor's Opinion

The Auditor considers that the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, in particular the Convertible Bonds were overdue and were pending reorganisation as at 31 December 2021. As at 31 December 2021, the Company was in negotiation with the holder of the Convertible Bonds in relation to the reorganisation of the Convertible Bonds and the amendments of terms and conditions of the Convertible Bonds. No agreement has been entered into by the parties in relation to the said reorganisation and amendments as at 31 December 2021. Although various agreements were entered by the Company in January 2022, the financial position of the Company as at 31 December 2021 remained unchanged.

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

The Auditor is of the preliminary view that if the plans and measures as described in the section headed "The Company's Position, View and Assessment" below are fully, properly and effectively implemented in 2022 and if the Company could provide sufficient audit evidence to the Auditor to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2022, the Disclaimer of Opinion would be removed for the year ending 31 December 2022, given that there is no adverse change of the financial position, operations and investments of the Group.

The Company's Position, View and Assessment

The 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 plans and measures have been or will be 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 extension for repayment of outstanding Convertible Bonds. In January 2022, the Company and the holder of the Convertible Bonds entered into a series of agreements in which the holder of the Convertible Bonds agreed to extend for the repayment date and amend of certain terms and conditions of the Convertible Bonds, subject to fulfillment of certain conditions precedent, including but not limited to the approval of Stock Exchange and the Shareholders. The Company intends to hold an EGM for the Shareholders to consider and approve such amendments as soon as possible;

(ii) The Group has been actively communicating with its existing lenders of borrowings which were overdue or will be due within twelve months from the date of financial position, to renew of, extend to the dates of repayment, and/or to introduce debt capitalisation plans to these lenders. For the 2021 Financial Year, the Company had entered into settlement agreements with certain creditors to issue consideration Shares to these creditors to settle debts of approximately HK$21 million;

(iii) The Group has been actively negotiating new sources of financing, such as banks borrowings, placement, etc. For the 2021 Financial Year, the Company had issued new Shares with net proceeds of approximately HK$50 million;

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

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

The Directors have reviewed the Group's cash flow projections prepared by the Group's management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. 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 2021. Accordingly, the Directors are satisfied that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. The Company has considered the rationale of the Auditor and understood its reasons, basis and consideration in arriving the Disclaimer of Opinion. The Disclaimer of Opinion has no actual or potential impact on the Company's financial position.

The Company is of the view that the Disclaimer of Opinion may be removed if the following plans and measures are implemented properly and effectively in 2022:

(i) the successful fulfilment of all conditions precedent in the amendments and restatements agreement entered with the holder of the Convertible Bonds in January 2022, in order to extend for the repayment of outstanding convertible bonds;

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

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

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

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

and provided that the Company could provide sufficient audit evidence to the Auditor to support that there will be sufficient working capital for the Group in the next twelve months from 31 December 2022.

The Audit Committee's View

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

Independent Auditor's Report

LINKSFIELD
CPA LIMITED

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China First Capital Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 66 to 206, which comprise:

1 the consolidated statement of financial position as at 31 December 2021;

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

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

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

5 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 RMB968 million for the year ended 31 December 2021. As at 31 December 2021, the Group had accumulated losses and deficit in equity of approximately RMB944 million and approximately RMB788 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,239 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,376 million, of which the total current borrowings and convertible bonds amounted to approximately RMB1,902 million, while its bank balances and cash amounted to approximately RMB220 million only. In addition, in December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million). As at 31 December 2021, the winding-up petition was awaiting hearing and the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB825 million and were classified as current liabilities. As at the same date, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB366 million were in default due to late or overdue payment. These conditions, together with other matters described in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful fulfilment of all conditions precedent in the amendments and restatements agreement entered with the holder of the convertible bonds in January 2022, in order to extend for the repayment of outstanding convertible bonds; (ii) the successful negotiations with the lenders of borrowings for the renewal of, extension for and/or restructure of repayment of the outstanding borrowings, including the principals and interests; (iii) the successful obtaining additional new sources of financing as and when needed; (iv) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and (v) the successful managing the Group's operations from time to time to generate sufficient cash flow.

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (restated)
Continuing operations			
Revenue	5	**1,093,830**	1,029,966
Cost of sales/services		**(923,539)**	(849,160)
Gross profit		**170,291**	180,806
Other income and expenses	7	**38,579**	41,519
Other losses, net	8	**(173,351)**	(17,522)
Expected credit losses ("**ECL**"), net of reversal		**(18,919)**	(103,176)
Impairment losses on goodwill, tangible and intangible assets		**(379,103)**	(48,467)
Impairment losses on interests in joint ventures	18	**(21,232)**	(15,183)
Selling and distribution expenses		**(114,636)**	(42,357)
Research and development expenditure		**(59,903)**	(53,992)
Administrative expenses		**(138,086)**	(197,320)
Operating losses		**(696,360)**	(255,692)
Finance costs	11	**(197,445)**	(206,821)
Share of results of associates	17	**(105)**	(1,345)
Share of results of joint ventures	18	**6,601**	10,856
Loss before income tax	9	**(887,309)**	(453,002)
Income tax credit	12	**1,711**	6,090
Loss for the year from continuing operations		**(885,598)**	(446,912)
Discontinued operations			
(Loss)/profit for the year from discontinued operations, net of tax	41	**(216,916)**	44,684
Loss for the year		**(1,102,514)**	(402,228)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(126,883)**	(99,754)
Other comprehensive loss for the year, net of income tax		**(126,883)**	(99,754)
Total comprehensive loss for the year		**(1,229,397)**	(501,982)

	Notes	2021 RMB'000	2020 RMB'000 (restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(798,910)**	(397,572)
– Discontinued operations		**(169,323)**	23,848
		(968,233)	(373,724)
Non-controlling interests			
– Continuing operations		**(86,688)**	(49,340)
– Discontinued operations		**(47,593)**	20,836
		(134,281)	(28,504)
		(1,102,514)	(402,228)
Loss per Share attributable to owners of the Company (RMB)	14		
Basis (loss)/earnings per share			
– Continuing operations		**(0.73)**	(0.39)
– Discontinued operations		**(0.15)**	0.02
		(0.88)	(0.37)
Diluted (loss)/earnings per share			
– Continuing operations		**(0.73)**	(0.39)
– Discontinued operations		**(0.15)**	0.02
		(0.88)	(0.37)

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 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**485,158**	938,054
Right-of-use assets	16(i)	**131,501**	256,440
Interests in associates	17	**4,158**	5,601
Interests in joint ventures	18	**224,080**	237,906
Intangible assets	19	**151,334**	281,799
Goodwill	20	**–**	275,103
Trade and other receivables	23	**17,763**	27,255
Loan and interest receivables	26	**–**	16,346
Contingent consideration receivables	37(a)	**–**	7,759
		1,013,994	2,046,263
Current assets			
Inventories	25	**76,105**	93,399
Amounts due from joint ventures	24	**197,157**	203,728
Amount due from an associate	17(e)	**70,097**	98,632
Trade and other receivables	23	**851,164**	886,693
Loan and interest receivables	26	**36,263**	57,224
Financial assets measured at fair value through profit or loss ("**FVTPL**")	22	**391,274**	692,345
Security account balances	27	**7,732**	18,608
Restricted bank balances	28	**192,064**	150,882
Bank balances and cash	28	**220,364**	207,451
		2,042,220	2,408,962
Total assets		**3,056,214**	4,455,225

	Notes	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	29	**137**	137
Borrowings – due after one year	30	**473,611**	378,206
Lease liabilities	16(ii)	**2,868**	22,157
Deferred income	32	**48,534**	47,051
Contract liabilities	5(iv)	**–**	169,043
Long-term payables	35	**–**	24,352
Deferred tax liabilities	21	**38,172**	88,853
		563,322	729,799
Current liabilities			
Trade and other payables	29	**1,250,084**	960,380
Amount due to an associate	17(e)	**–**	6,631
Amount due to a joint venture	24	**–**	1,903
Borrowings – due within one year	30	**1,077,677**	1,165,453
Convertible bonds	31	**824,674**	751,692
Lease liabilities	16(ii)	**10,941**	7,744
Income tax payable		**47,712**	93,002
Deferred income	32	**5,433**	7,594
Contract liabilities	5(iv)	**15,029**	179,652
Provisions	33	**49,507**	30,033
		3,281,057	3,204,084
Total liabilities		**3,844,379**	3,933,883
Net current liabilities		**(1,238,837)**	(795,122)
Total assets less current liabilities		**(224,843)**	1,251,141
Net (liabilities)/assets		**(788,165)**	521,342

	Notes	2021 RMB'000	2020 RMB'000
OWNERS' EQUITY			
Share capital	36	**112,290**	84,283
Reserves		**(971,034)**	109,014
Equity attributable to:			
Owners of the Company		**(858,744)**	193,297
Non-controlling interests		**70,579**	328,045
Total (deficit in equity)/equity		**(788,165)**	521,342

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

The consolidated financial statements on pages 66 to 206 were approved by the board of directors of the Company on 31 March 2022 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 2021

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Development reserve RMB'000 (Note c)	Accumulated losses RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity 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	397,341	1,060,048
Loss for the year	–	–	–	–	–	–	–	(373,724)	(373,724)	(28,504)	(402,228)
Other comprehensive (loss)/income											
Exchange difference on translation of foreign operation	–	–	–	–	–	(100,046)	–	–	(100,046)	292	(99,754)
Total comprehensive loss for the year	–	–	–	–	–	(100,046)	–	(373,724)	(473,770)	(28,212)	(501,982)
Share-based payment (Note 43)	–	–	–	–	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	328,045	521,342

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2021

	Attributable to the owners of the Company										
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000 (Note a)	**Surplus reserve** RMB'000 (Note b)	**Share option reserve** RMB'000	**Translation reserve** RMB'000	**Development reserve** RMB'000 (Note c)	**Accumulated losses** RMB'000	**Sub-Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2021	84,283	4,036,480	70,738	40,628	4,360	(61,865)	31,348	(4,012,675)	109,014	328,045	521,342
Loss for the year	–	–	–	–	–	–	–	(968,233)	(968,233)	(134,281)	(1,102,514)
Other comprehensive (loss)/income											
Exchange difference on translation of foreign operation	–	–	–	–	–	(131,463)	–	–	(131,463)	4,581	(126,882)
Total comprehensive loss for the year	–	–	–	–	–	(131,463)	–	(968,233)	(1,099,696)	(129,700)	(1,229,396)
Issuance of share capital (Note 36)	28,007	31,495	–	–	–	–	–	–	31,495	–	59,502
Share premium cancellation	–	(4,036,480)	–	–	–	–	–	4,036,480	–	–	–
Decrease in non-controlling interest on disposal of funds	–	–	–	–	–	2,059	–	–	2,059	(16,546)	(14,487)
Deconsolidation of Affected Businesses	–	–	(13,906)	–	–	–	–	–	(13,906)	(120,695)	(134,601)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	9,475	9,475
Balance at 31 December 2021	112,290	31,495	56,832	40,628	4,360	(191,269)	31,348	(944,428)	(971,034)	70,579	(788,165)

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

Notes:

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

(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 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operating activities	42(a)	(80,611)	317,389
Income tax paid/(refunded)		8,179	(12,828)
		(72,432)	304,561
Discontinued operations		29,707	9,568
Net cash (used in)/generated from operating activities		(42,725)	314,129
Cash flows from investing activities			
Additions of property, plant and equipment	15	(16,283)	(104,929)
Payments for acquisition of intangible assets	19	–	(6,409)
Interest received		21,006	35,376
Dividends received from financial assets measured at FVTPL	22(b)	5,632	11,925
Proceeds from partial disposal of a subsidiary without losing control		–	12,000
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)
Net cash inflows from disposal of a subsidiary – Shenzhen First Capital International E-Commercial Consulting Limited* (深圳首控國際電子商務有限公司)	37(e)	1,682	–
Proceeds from disposal of property, plant and equipment		–	8,228
Purchase of financial assets measured at FVTPL		(30,447)	(2,189)
Proceeds from disposal of financial assets measured at FVTPL		73,961	198,986
Payments for settlement of contingent consideration payables	34	–	(64,328)
		55,551	78,391
Discontinued operations		70,705	(8,540)
Net cash generated from investing activities		126,256	69,851

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Cash flows from financing activities			
Interest paid		**(101,328)**	(103,079)
Principal elements of lease payments		**(27,587)**	(17,536)
Interest elements of lease payments		**(214)**	9,287
New borrowings raised		**700,748**	184,817
Repayment of borrowings		**(693,118)**	(447,500)
Issuance of shares		**51,433**	–
Repayment to holder of convertible bonds	31	**–**	(26,730)
		(70,066)	(400,741)
Discontinued operations		**(10,503)**	(7,353)
Net cash used in financing activities		**(80,569)**	(408,094)
Net increase/(decrease) in cash and cash equivalents		**2,962**	(24,114)
Cash and cash equivalents at beginning of year		**226,059**	251,163
Effect of foreign exchange rate changes		**(925)**	(990)
Cash and cash equivalents at end of year	28	**228,096**	226,059

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

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 44(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 31 March 2022.

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 services 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* (福州全悦教育諮詢有限公司) and Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) (collectively the "**WOFEs**"), have entered into contractual arrangements (the "**Contractual Arrangements**") with the School Sponsor and their equity holders, respectively, which enable the Group to:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

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

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

Newly promulgated Implementation Regulations during the year

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

Details of the impact by Implementation Regulations on the Affected Business of the Group were set out in Note 41.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

2.1.1 Going concern

For the year ended 31 December 2021, the Group reported a loss attributable to owners of the Company of approximately RMB968 million (2020: approximately RMB374 million). As at 31 December 2021, the Group had accumulated losses and deficit in equity of approximately RMB944 million (31 December 2020: approximately RMB4,013 million) and approximately RMB788 million (31 December 2020: total equity approximately RMB521 million), respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,239 million (31 December 2020: approximately RMB795 million). As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,376 million (31 December 2020: approximately RMB2,295 million), of which the total current borrowings and convertible bonds amounted to approximately RMB1,902 million (31 December 2020: approximately RMB1,917 million), while its bank balances and cash amounted to approximately RMB220 million (31 December 2020: approximately RMB207 million) only. In addition, in December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million). As at 31 December 2021, the winding-up petition was awaiting hearing and the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB825 million, and were classified as current liabilities. As at the same date, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB366 million were in default due to late or overdue payment.

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

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 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 extension for repayment of outstanding convertible bonds. In January 2022, the Company and the holder of the convertible bonds entered into a series of agreements in which the holder of the convertible bonds agreed to extend for the repayment date and amend of certain terms and conditions of the convertible bonds, subject to fulfillment of certain conditions precedent, including but not limited to the approval of Stock Exchange and the Company's shareholders;

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

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

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

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

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. 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 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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) the successful fulfilment of all conditions precedent in the amendments and restatements agreement entered with the holder of the convertible bonds in January 2022, in order to extend for the repayment of outstanding convertible bonds;

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

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

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

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

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

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 amended standards, improvements and interpretation for the first time for its annual reporting period commencing 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform (Amendments)
Amendments to HKFRS 16	Covid-19-Related Rent Concessions (Amendments)

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 the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions (Amendments) Beyond 1 June 2021	1 April 2021
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

(b) New standards and interpretations not yet adopted *(Continued)*

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iv) Equity method

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

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

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

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

(v) Changes in ownership interests

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

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

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

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

2 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 ("**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 or valuation where items are measured. 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.

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 profit or loss, within finance costs. All other foreign exchange gains and losses are presented in 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. 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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

(b) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(c) 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. Currency translation differences arising are recognised in other comprehensive income.

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 and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(v) Amortisation methods and periods

The Group amortises intangible assets with a finite 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.

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 profit or loss.

As disclosed in Note 41 to the consolidated financial statements, the Affected Business that was deconsolidated represent the Education services segment. The directors classified the operations relating to the Affected Business as discontinued operations and the results of discontinued operations were presented separately in the consolidated statement of profit or loss and other comprehensive income.

2.11 Investments and other financial assets

(i) Classification

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

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

- those to be measured at amortised cost.

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

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

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

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:

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

(a) 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. 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 losses, net and impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(iii) Measurement *(Continued)*

Debt instruments *(Continued)*

(b) 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 losses, net 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 losses, net in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Repurchase agreements and reverse repurchase agreements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

(iv) Impairment

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

2.12 Financial liabilities

(a) Recognition and measurement

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

(b) Derecognition

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

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

2.13 Offsetting financial instruments

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

2 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. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 less provision for impairment.

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.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade payables

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

2.19 Borrowings

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

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

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

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

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

2.20 Borrowing costs

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

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

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

2 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits

(i) Short-term obligations

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

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

(ii) Retirement benefit costs

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

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

2.24 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

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

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

- Sales of automobile shock absorbers
- Provision of 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.

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

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

(a) the amount of the initial measurement of lease liability

(b) any lease payments made at or before the commencement date less any lease incentives received

(c) any initial direct costs, and

(d) 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).

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 43.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Price risk

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

If the benchmark index, Hang Seng index, had been 14% (2020: 23%) higher/lower, post-tax loss for the year ended 31 December 2021 would have decreased/ increased by RMB51,808,000 (2020: RMB135,844,000). The analysis is based on the assumptions that the benchmark index increased/decreased with all other variables held constant and that the Group's investment portfolio moved according to the volatility of the Hang Seng index. The Group does not manage price risk with reference to any market index. The benchmark index used above is for guidance and performance comparison only. In practice, the actual trading results may differ from the sensitivity analysis above and the difference could be material.

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

(ii) Foreign exchange risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign exchange risk *(Continued)*

As at 31 December 2021, if the functional currencies of the respective group entities had weakened/strengthened by 5% (2020: 5%) against the foreign currencies, with all other variables held constant, post-tax loss for the year would have been approximately RMB3,849,000 (2020: RMB7,464,000) higher/lower, 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.

(iii) Interest rate risk

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

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 2021 would have decreased/increased by approximately RMB412,000 (2020: RMB378,000).

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 2021 would have increased/decreased by approximately RMB730,000 (2020: RMB415,000).

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

The Group applies HKFRS 9 simplified approach for measuring the ECL, which use a lifetime expected loss allowance for all trade receivables resulting from transactions within the scope of HKFRS 15. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Assessment of significant increase in credit risk

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

Assessment of credit-impaired

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

Bank balances

The credit risk on deposits with banks is limited because the counterparties are several reputable and creditworthy banks. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, expected credit loss rate of cash at bank is assessed to be immaterial and no provision was made as at 31 December 2021 and 2020.

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

As at 31 December 2021, the Group is exposed to concentration of credit risk as 69% (2020: 69%) of the total trade receivables were due from largest 10 customers and the top customer accounted for 17% (2020: 18%) of total trade receivables. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Expected credit losses are estimated by grouping the receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

On that basis, the loss allowance for trade and bills receivables resulting from transactions within the scope of HKFRS 15 as at 31 December 2021 and 2020 was determined as follows:

	Expected loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
As at 31 December 2021				
Trade and bills receivables resulting from transactions within the scope of HKFRS 15	**7.1%**	**565,213**	**(40,252)**	**524,961**
As at 31 December 2020				
Trade and bills receivables resulting from transactions within the scope of HKFRS 15	5.5%	586,361	(32,494)	553,867

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

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

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

	2021 RMB'000	2020 RMB'000
Loss allowance at 1 January	**32,494**	50,054
Provision for expected credit losses	**7,758**	–
Reversal of expected credit losses	**–**	(17,560)
Loss allowance at 31 December	**40,252**	32,494

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate

The Group adopted general approach for expected credit loss of trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate.

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate *(Continued)*

As at 31 December 2020	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Amounts due from joint ventures	203,728	–	203,728
Amount due from an associate	98,632	–	98,632
Trade receivables resulting from transactions outside the scope of HKFRS 15	29,200	–	29,200
Deposits and other receivables	59,047	221,030	280,077
Loan and interest receivables	65,683	7,887	73,570
Consideration receivables	–	7,759	7,759
	456,290	236,676	692,966

Impairment losses on trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate are presented as "Expected credit losses, net of reversal" in the consolidated statement of profit or loss and other comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised as in the consolidated statement of profit or loss and other comprehensive income.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate *(Continued)*

The movements of loss allowance for trade receivables resulting from transactions outside the scope of HKFRS 15, deposits and other receivables, loan and interest receivables, consideration receivables, amounts due from joint ventures, and amount due from an associate are shown as follows:

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

For the year ended 31 December 2020	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January	15,208	206,102	221,310
Provision for expected credit losses	1,552	119,184	120,736
Receivables written off as uncollectible	–	(13,532)	(13,532)
Exchange alignment	–	1,077	1,077
Loss allowance at 31 December	16,760	312,831	329,591

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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 and an associate), 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.

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021						
Trade and other payables	**1,250,084**	**137**	**–**	**–**	**1,250,221**	**1,250,221**
Borrowings	**1,104,619**	**194,762**	**319,924**	**15,010**	**1,634,315**	**1,551,288**
Convertible bonds	**824,674**	**–**	**–**	**–**	**824,674**	**824,674**
Lease liabilities	**11,104**	**2,504**	**599**	**–**	**14,207**	**13,809**
	3,190,481	**197,403**	**320,523**	**15,010**	**3,723,417**	**3,639,992**
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

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	**One to two years**	**Undiscounted cash flows**	**Carrying amount**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021	**206,023**	**30,930**	**236,953**	**230,000**
As at 31 December 2020	49,713	203,698	253,411	240,000

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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.

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 2021 and 2020 were as follows:

	2021 **RMB'000**	2020 RMB'000
Bank and other borrowings	**1,551,288**	1,543,659
Convertible bonds	**824,674**	751,692
	2,375,962	2,295,351
Less: Bank balances and cash	**(220,364)**	(207,451)
Net debts	**2,155,598**	2,087,900
Total equity	**(788,165)**	521,342
Total capital	**1,367,433**	2,609,242
Gearing ratio	**158%**	80%

The gearing ratio increased from 80% to 158% was attributable to the decrease in total equity during the year ended 31 December 2021.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021 and 2020.

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

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Listed securities	585,620	–	–	585,620
Financial product	–	15,659	–	15,659
Unlisted equity investments	–	–	91,066	91,066
Contingent consideration recoverable	–	–	7,759	7,759
	585,620	15,659	98,825	700,104

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

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

Specific valuation techniques used to value financial instruments include:

Financial assets	Fair value as at 31 December 2021 RMB'000	31 December 2020 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial assets measured at FVTPL – suspended listed equity investments	**18,703**	–	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the suspended listed equity investment	Change in market capitalisation percentage
Financial assets measured at FVTPL – equity investments (unlisted company)	**12,881**	23,109	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments.	(2020: P/E Multiple of 0.66 and 11.81)
Financial assets measured at FVTPL – equity investments (unlisted company)	**14,921**	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.	(2020: P/B Multiple of 1.04; P/S Multiple of 3.15)

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 2021 and 2020.

	2021 RMB'000	2020 RMB'000
At 1 January	**98,825**	274,774
Additions	**–**	67,234
Disposals	**(23,109)**	(138,249)
Consideration received	**(7,759)**	–
Transfer from level 1 investment	**18,703**	–
Fair value losses recognised in the profit or loss	**(40,155)**	(104,934)
Exchange alignment	**–**	–
At 31 December	**46,505**	98,825

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 2021 RMB'000	Fair value at 31 December 2020 RMB'000	Valuation techniques	Significant inputs	Range of inputs	Favourable/ (unfavourable) changes in profit or loss 2021 RMB'000	Favourable/ (unfavourable) changes in profit or loss 2020 RMB'000
(i) Suspended listed equity	**18,703**	–	Market comparable	Discount for lack of marketability	22.8%	**+/-5% +/-1,020**	N/A
(ii) Unlisted equity	**–**	19,413	Market comparable	P/S multiples	N/A	**N/A**	+/- 5% +/- 970
(iii) Unlisted equity	**–**	3,696	Market comparable	P/S multiples	N/A	**N/A**	+/- 5% +/- 185
(iv) Contingent consideration receivable	**–**	7,759	Market comparable	P/S multiples	N/A	**N/A**	+/- 5% +/- 388

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Contractual arrangement

The Group conducts a substantial portion of the education services 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.

On 14 May 2021, the Implementation Regulations were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Business were no longer enforceable from 1 September 2021. Management assessed the implications of this new regulation and concluded that, based on the facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Business had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Business. Accordingly, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) 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 2021, the carrying values, before impairment, of goodwill and intangible assets with indefinite useful lives were RMB598,746,000 (2020: RMB611,120,000) and RMB100,126,000 (2020: RMB100,126,000), respectively. During the year ended 31 December 2021, impairment losses of RMB275,103,000 (2020: RMB48,467,000) was recognised on goodwill. Details of the impairment testing on goodwill and intangible assets with indefinite useful lives are disclosed in Notes 20 and 19, respectively.

(c) 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 2021, the carrying amounts of loan and interest receivables are RMB36,263,000 (2020: RMB73,570,000). During the year ended 31 December 2021, reversal of impairment losses of RMB75,976,000 (2020: Impairment loss of RMB62,570,000) were recognised.

(d) 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 2021, the carrying amounts of trade receivables are RMB415,391,000 (2020: RMB459,762,000). During the year ended 31 December 2021, provision for impairment of RMB7,758,000 (2020: a reversal of impairment loss of RMB17,560,000) was recognised.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Valuation of financial instruments

The fair values for certain financial instruments, including financial assets measured at FVTPL (Note 22) 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 2021, the carrying amount of financial assets measured at FVTPL amounted to RMB391,274,000 (2020: RMB692,345,000).

(f) 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 2021, the carrying amount of property, plant and equipment amounted to RMB485,158,000 (2020: RMB938,054,000).

(g) 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 2021, the carrying amount of provision for warranty amounted to RMB49,507,000 (2020: RMB30,033,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(h) 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 2021, the carrying amount of inventories amounted to RMB76,105,000 (2020: RMB93,399,000). During the year ended 31 December 2021, a reversal of provision of RMB8,302,000 (2020: a provision for RMB5,261,000) for obsolete and slow-moving inventories was recognised.

(i) 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 2021, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with definite useful lives were RMB485,158,000 (2020: RMB938,054,000), RMB131,501,000 (2020: RMB256,440,000) and RMB51,208,000 (2020: RMB181,673,000), respectively. During the year ended 31 December 2021, impairment losses of RMB104,000,000 (2020: RMB nil) in respect of property, plant and equipment was recognised.

5 REVENUE

(i) Disaggregation of revenue from contracts with customers

	2021 RMB'000	2020 RMB'000 (restated)
Automotive parts business		
Sales of automotive absorbers to		
– the automobile market of original automobile manufacturers	**960,966**	865,393
– the second market of automobile industry	**46,235**	43,495
– others	**7,505**	34,019
	1,014,706	942,907
Education management and consultancy services business		
Provision of schooling services and management and consulting services to educational institutions		
– management and consultancy services	**51,098**	56,138
	51,098	56,138
Financial services business		
Provision of financial services and advisory services in respect of		
– private equity fund management	**2,901**	5,631
– underwriting, dealing and margin services	**12,830**	2,829
– advisory services	**4,168**	6,070
– others	**3,509**	8,946
	23,408	23,476
Revenue from contracts with customers	**1,089,212**	1,022,521
Interest income	**4,618**	7,445
	1,093,830	1,029,966

5 REVENUE *(Continued)*

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

	For the year ended 31 December 2021			
	Automotive parts business RMB'000	Education management and consultancy services business RMB'000	Financial services business RMB'000	Total RMB'000
Timing of revenue recognition:				
– A point in time	1,014,706	–	15,204	1,029,910
– Overtime	–	51,098	8,204	59,302
	1,014,706	51,098	23,408	1,089,212
Geographical markets:				
– The PRC	993,535	51,098	1,732	1,046,365
– Hong Kong	–	–	21,676	21,676
– Italy	21,171	–	–	21,171
	1,014,706	51,098	23,408	1,089,212

5 REVENUE *(Continued)*

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

	For the year ended 31 December 2020 (restated)			
	Automotive parts business RMB'000	Education management and consultancy services 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	–	56,138	11,700	67,838
	942,907	56,138	23,476	1,022,521
Geographical markets:				
– The PRC	911,647	56,138	1,837	969,622
– Hong Kong	–	–	21,292	21,292
– Singapore	–	–	347	347
– Italy	31,260	–	–	31,260
	942,907	56,138	23,476	1,022,521

(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.

5 REVENUE *(Continued)*

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

(b) Education management and consultancy services business

The Group provides education 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 2021 and 2020, and the expected timing recognising revenue are as follows:

	Automotive parts business RMB'000	**Financial services business** RMB'000	**Total** RMB'000
At 31 December 2021			
Within one year	**16,000**	**327**	**16,327**
At 31 December 2020 (restated)			
Within one year	5,190	118	5,308

5 REVENUE *(Continued)*

(iv) Contract liabilities

	2021	2020
	RMB'000	RMB'000
Advanced tuition fee	**15,029**	340,395
Advanced from customers	**–**	8,300
	15,029	348,695
Analysed for reporting purposes as:		
– Current liabilities	**15,029**	179,652
– Non-current liabilities	**–**	169,043
	15,029	348,695

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

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 2022 throughout to year ended 31 December 2023 (2020: 2021 to 2035).

6 SEGMENT INFORMATION

(a) Products and services within each operating segment

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

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

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

- Education management and consultancy services business – engage in the 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.

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	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Automotive parts business	**1,014,706**	942,907	**125,723**	132,109
Education management and consultancy services business	**51,098**	56,138	**17,110**	19,855
Financial services business	**28,026**	30,921	**27,458**	28,842
Total segment	**1,093,830**	1,029,966	**170,291**	180,806
Other income and expenses			**38,579**	41,519
Other losses, net			**(173,351)**	(17,522)
ECL, net of reversal			**(18,919)**	(103,176)
Impairment losses on goodwill, tangible and intangible assets			**(379,103)**	(48,467)
Impairment losses of interests in joint ventures			**(21,232)**	(15,183)
Selling and distribution expenses			**(114,636)**	(42,357)
Research and development expenditure			**(59,903)**	(53,992)
Administrative expenses			**(138,086)**	(197,320)
Operating losses			**(696,360)**	(255,692)
Finance costs			**(197,445)**	(206,821)
Share of results of associates			**(105)**	(1,345)
Share of results of joint ventures			**6,601**	10,856
Loss before income tax			**(887,309)**	(453,002)

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

6 SEGMENT INFORMATION *(Continued)*

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

	For the year ended 31 December 2020 (restated)			
	Automotive parts business RMB'000	Education management and consultancy services business RMB'000	Financial services business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	942,907	56,138	23,476	1,022,521
Inter-segment sales	–	–	77,021	77,021
Sub-total	942,907	56,138	100,497	1,099,542
Elimination	–	–	(77,021)	(77,021)
Revenue from contracts with customers	942,907	56,138	23,476	1,022,521
Interest income	–	–	7,445	7,445
Segment revenue	942,907	56,138	30,921	1,029,966

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.

6 SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group principally operates in the PRC.

During the year ended 31 December 2021, 95% (2020: 96%) 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 2021, 99% (2020: 99%) of the Group's property, plant and equipment and rights-of-use assets are located in the PRC.

(d) Information about major customer

Revenue from major customers which accounts for 10% or more of the Group's revenue for the year ended 31 December 2021 or 2020 are as follows:

	2021	2020
	RMB'000	RMB'000
Automotive parts business		
Customer A	**190,237**	195,001
Customer B	**150,967**	168,690

7 OTHER INCOME AND EXPENSES

	2021	2020
	RMB'000	RMB'000
		(restated)
Interest income from financial institutions	**6,372**	3,071
Interest income from non-financial institutions	**14,634**	5,468
Government grants	**37,676**	16,113
Release of asset-related government grants/interest-free loans	**–**	1,710
Storage services income	**1,629**	2,164
Others	**(21,732)**	12,993
	38,579	41,519

8 OTHER LOSSES, NET

	2021 RMB'000	2020 RMB'000 (restated)
Exchange gains, net	**60,944**	155,980
Reversal of/(provision for) impairment of inventories	**8,302**	(5,261)
Dividend income from financial assets measured at FVTPL (Note 22(c))	**5,632**	11,925
Written off of trade receivables	**(82,035)**	–
(Losses)/gains on disposal of property, plant and equipment	**(4,479)**	3,405
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)
Gain/(loss) on de-registration of subsidiaries	**15,173**	(104)
Fair value changes of financial assets at fair value through profit or loss (Note 22(c))	**(172,486)**	(135,265)
Fair value changes of contingent consideration payables (Note 34)	**–**	(2,681)
Others	**(4,402)**	(11,052)
	(173,351)	(17,522)

9 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2021 RMB'000	2020 RMB'000 (restated)
Auditor's remuneration	**2,780**	4,126
Cost of inventories sold	**888,983**	567,558
Employee benefits expenses (including directors' emoluments)	**174,239**	172,780
– Salaries and other benefits	**160,590**	159,447
– Retirement benefit scheme contributions	**13,649**	13,333
Amortisation of intangible assets (Note 19)	**11,921**	36,292
Depreciation of property, plant and equipment (Note 15)	**49,438**	74,723
Depreciation of right-of-use assets (Note 16(i))	**14,976**	20,013
Legal and professional fee	**8,249**	7,982

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 2021

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

10 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

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

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

10 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive 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 2021 included 2 (2020: 3) directors. The remunerations of the remaining 3 (2020: 2) highest paid individuals other than the directors are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	**1,555**	1,932
Discretionary bonus	**–**	84
Retirement benefit scheme contributions	**88**	29
Share options	**–**	4,023
	1,643	6,068

The emoluments of the remaining 3 (2020: 2) highest paid individuals other than the directors fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$500,001 to HK$1,000,000	**3**	–
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	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
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.

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 (2020: Nil).

(d) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2020: 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 (2020: 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 (2020: 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 (2020: Nil).

11 FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000 (restated)
Interest on:		
Bank borrowings	**27,260**	24,301
Other borrowings	**66,438**	76,292
Lease liabilities	**214**	542
Convertible bonds (Note 31)	**95,903**	104,872
Others	**7,630**	814
	197,445	206,821

12 INCOME TAX CREDIT

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

	2021	2020
	RMB'000	RMB'000
		(restated)
Current income tax		
– Hong Kong	**2**	–
– PRC Enterprise Income Tax ("**EIT**")	**200**	2,873
Over provision in prior year		
– Hong Kong	**(161)**	(429)
Overseas withholding income tax	**–**	232
Deferred tax (Note 21)	**(1,752)**	(8,766)
	(1,711)	(6,090)

The current income tax credit for the years ended 31 December 2021 and 2020 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*(南陽淅減汽車減振器有限公司) ("**Nanyang Cijan**") obtained "High and New Technology Enterprise" status for 3 years. The "High and New Technology Enterprise" status has been renewed in 2018 for another 3 years, which 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 2021 and 2020.

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%.

12 INCOME TAX CREDIT *(Continued)*

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

The income tax credit for the years ended 31 December 2021 and 2020 can be reconciled to the loss before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2021 **RMB'000**	2020 RMB'000 (restated)
Loss before income tax	**(887,309)**	(453,002)
Calculated at a tax rate of 25% (2020: 25%)	**(221,829)**	(113,251)
Tax effect of different tax rate in other jurisdictions	**33,070**	26,028
Tax effect of expenses not deductible for tax purpose	**100,316**	77,756
Tax effect of income not taxable for tax purpose	**(41,776)**	(65,838)
Tax effect of additional qualified expenses deductible for tax purpose (Note)	**–**	(9,777)
Tax effect of temporary differences not recognised	**(32)**	(1,145)
Tax effect of tax losses not recognised	**134,668**	87,041
Utilisation of tax losses previously not recognised	**(5,967)**	(6,707)
Over-provision in prior year	**(161)**	(429)
Overseas withholding income tax	**–**	232
Income tax credit	**(1,711)**	(6,090)

Note: The amount represents additional 100% (2020: 75%) income tax deduction in respect of qualifying research and development expenditures.

13 DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2021 and 2020. The board of directors of the Company does not recommend the payment of dividend for the year ended 31 December 2021 (2020: 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.

	2021	2020 (restated)
Loss attributable to owners of the Company (RMB'000)		
– Continuing operations	**(798,910)**	(397,572)
– Discontinued operations	**(169,323)**	23,848
Weighted average number of ordinary shares in issue	**1,097,308,462**	1,005,378,400
Loss per share (RMB)		
– Continuing operations	**(0.73)**	(0.39)
– Discontinued operations	**(0.15)**	0.02
	(0.88)	(0.37)

(b) Diluted

Diluted loss per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all potentially dilutive ordinary shares. The Company has one (2020: one) category of potentially dilutive ordinary shares: share options (2020: share options). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the years ended 31 December 2021 and 2020, diluted loss per Share is the same as the basic loss per Share as the exercise of potential ordinary shares in relation to the outstanding share options would have anti-dilutive effects to the basic loss per Share.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Machinery RMB'000	Leasehold improvement RMB'000	Others RMB'000	Construction in-progress RMB'000	Total RMB'000
At 1 January 2020								
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)
	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
Year ended 31 December 2021								
Opening net book amount	**480,587**	**21,158**	**184,087**	**193,017**	**52**	**996**	**58,157**	**938,054**
Additions	**1,666**	**1,993**	**12,152**	**472**	**–**	**–**	**–**	**16,283**
Transfer	**–**	**–**	**415**	**1,062**	**–**	**–**	**(1,477)**	**–**
Disposals								
– Cost	**–**	**(1,371)**	**(7,863)**	**–**	**–**	**–**	**–**	**(9,234)**
– Accumulated depreciation	**–**	**1,002**	**3,753**	**–**	**–**	**–**	**–**	**4,755**
Discontinued oeprations								
– Cost	**(463,569)**	**(21,190)**	**(59,814)**	**(12,712)**	**(64)**	**(2,457)**	**(7,751)**	**(567,557)**
– Accumulated depreciation	**202,985**	**11,242**	**37,051**	**5,334**	**45**	**1,461**	**–**	**258,118**
Depreciation for the year	**(6,342)**	**(1,370)**	**(23,128)**	**(18,567)**	**(31)**	**–**	**–**	**(49,438)**
Exchange realignment								
– Cost	**(1,555)**	**(61)**	**(52)**	**–**	**(48)**	**–**	**–**	**(1,716)**
– Accumulated depreciation	**(265)**	**61**	**49**	**–**	**48**	**–**	**–**	**(107)**
Impairment	**(31,546)**	**(1,688)**	**(34,538)**	**(36,228)**	**–**	**–**	**–**	**(104,000)**
Closing net book amount	**181,961**	**9,776**	**112,112**	**132,378**	**2**	**–**	**48,929**	**485,158**
At 31 December 2021								
Cost	**262,422**	**18,702**	**279,339**	**255,079**	**1,595**	**–**	**48,929**	**866,066**
Accumulated depreciation and impairment	**(80,461)**	**(8,926)**	**(167,227)**	**(122,701)**	**(1,593)**	**–**	**–**	**(380,908)**
Net book amount	**181,961**	**9,776**	**112,112**	**132,378**	**2**	**–**	**48,929**	**485,158**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of RMB29,959,000 (2020: RMB45,289,000) has been expensed in cost of sales/services, RMB2,126,000 (2020: RMB3,190,000) in selling and distribution expenses, RMB25,000 (2020: RMB38,000) in research and development expenditure and RMB17,328,000 (RMB26,206,000) in administrative expenses.

As at 31 December 2021, 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	**Offices**	**Warehouse**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	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
Additions	**–**	**10,701**	**1,405**	**12,106**
Depreciation	**(4,142)**	**(9,040)**	**(1,794)**	**(14,976)**
Early termination	**–**	**(611)**	**–**	**(611)**
Exchange realignment	**–**	**(142)**	**–**	**(142)**
Disposal of subsidiaries (Note 37(e))	**(646)**	**–**	**–**	**(646)**
Discontinued operation	**(120,670)**	**–**	**–**	**(120,670)**
At 31 December 2021	**119,190**	**11,386**	**925**	**131,501**

	2021	2020
	RMB'000	RMB'000
Expense relating to:		
– Short-term leases	**925**	1,924
Total cash outflows for leases (excluded short-term leases)	**(9,616)**	(14,625)
Total cash outflows for short-term leases	**(925)**	(1,924)

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 50 years, without extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

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

(ii) Lease liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
Lease liabilities:		
Within one year	**10,941**	7,744
Within a period of more than one year but not more than two years	**2,274**	4,001
Within a period of more than two years but not more than five years	**594**	4,014
Over five years	**–**	14,142
	13,809	29,901
Less: Amount due for settlement with twelve months shown under current liabilities	**(10,941)**	(7,744)
Amount due for settlement after twelve months shown under non-current liabilities	**2,868**	22,157

17 INTERESTS IN ASSOCIATES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cost of unlisted investments in associates	**31,220**	32,599
Share of results and other comprehensive (loss)/income	**(27,062)**	(26,998)
	4,158	5,601

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 2021	31 December 2020	
Nanyang Way Assuato	The PRC	**30%**	30%	Manufacture and sales of automobile shock absorber products
Stirling Coleman	Singapore	**45%**	45%	Financial services
Shanghai Puyuan Education Company Limited* (上海璞遠教育科技有限公司)("**Puyuan Education**")	The PRC	**N/A**	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.

17 INTERESTS IN ASSOCIATES *(Continued)*

(a) Nanyang Way Assuato *(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 2021 RMB'000	31 December 2020 RMB'000
Current assets	**76,338**	67,935
Non-current assets	**85,234**	81,051
Current liabilities	**(156,322)**	(144,682)
	5,250	4,304

	31 December 2021 RMB'000	Period from 26 September 2020 (date of partial disposal) to 31 December 2020 RMB'000
Revenue	**93,894**	34,051
Profit and total comprehensive income for the year/period	**949**	1,136
Proportion of the Group's ownership interest	**30%**	30%
Share of result attributable to the Group	**284**	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 2021 RMB'000	31 December 2020 RMB'000
Net assets of Nanyang Way Assuato	**5,250**	4,304
Proportion of the Group's ownership interest	**30%**	30%
The Group's share of net assets	**1,575**	1,291

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 2021 RMB'000	31 December 2020 RMB'000
Current assets	**7,662**	8,847
Non-current assets	**363**	239
Current liabilities	**(578)**	(430)
Non-current liabilities	**(26)**	–
	7,421	8,656

	31 December 2021 RMB'000	Period from 19 February 2020 (date of partial disposal) to 31 December 2020 RMB'000
Revenue	**7,345**	4,872
Loss and total comprehensive loss for the year/period	**(862)**	(2,237)
Proportion of the Group's ownership interest	**45%**	45%
Share of result attributable to the Group	**(389)**	(1,007)

17 INTERESTS IN ASSOCIATES *(Continued)*

(b) Stirling Coleman *(Continued)*

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 2021 RMB'000	31 December 2020 RMB'000
Net assets of Stirling Coleman	**7,420**	8,656
Proportion of the Group's ownership interest	**45%**	45%
The Group's share of net assets	**3,339**	3,895
Consideration premium	**712**	712
	4,051	4,607

(c) Puyuan Education

During the year ended 31 December 2021, the Group fully dispose its 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 2021 in the consolidated statement of financial position.

(d) Summary of share of results of associates

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

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)

17 INTERESTS IN ASSOCIATES *(Continued)*

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Amount due from an associate		
– Nanyang Way Assuato	**70,097**	98,632
Amount due to an associate		
– Nanyang Way Assuato	**–**	(6,631)

The receivable balance as at 31 December 2021 and 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 2021 RMB'000	31 December 2020 RMB'000
Cost of interests in joint ventures	**501,680**	511,062
Share of results and other comprehensive losses	**(241,185)**	(257,973)
	260,495	253,089
Less: provision for impairment	**(36,415)**	(15,183)
	224,080	237,906

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 2021	31 December 2020	
Zhuhai First Capital Education Investment Fund (Limited Partnership)* (珠海首控教育產業投資基金（有限合夥）) ("**Zhuhai Education**")	The PRC	**45.47%**	45.47%	Equity investment
KSI Education Ltd. ("**KSI Education**")	United Kingdom	**49%**	49%	Education services
Singapore Raffles Music College Pte. Ltd. ("**SRMC**")	Singapore	**40%**	40%	Education services
Chongqing First Capital Cultural Investment Equity Investment Fund (Limited Partnership)* (重慶首控文投股權投資基金合夥企業（有限合夥）) ("**FC Wentou**")	The PRC	**50.08%**	50.08%	Equity investment

18 INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information in respect of the joint ventures, representing amounts shown in the joint ventures' financial statements for the year ended 31 December 2021 and 2020 prepared in conformity with HKFRSs are as below:

	Zhuhai Education RMB'000	**KSI Education** RMB'000	**SRMC** RMB'000	**FC Wentou** RMB'000
At 31 December 2021				
Current assets	**555,478**	**114,056**	**14,348**	**2,097**
– cash and cash equivalents	**38**	**10,867**	**6,511**	**2,097**
Non-current assets	**–**	**31**	**10,755**	**–**
Current liabilities	**(206,379)**	**(7,469)**	**(10,640)**	**–**
Non-current liabilities	**–**	**(8,664)**	**(10,131)**	**–**
Revenue	**–**	**–**	**13,934**	**–**
Profit/(loss) and total comprehensive income/(loss) for the year	**33,362**	**(6,712)**	**(2,860)**	**–**
At 31 December 2020				
Current assets	513,253	108,657	16,538	2,116
– cash and cash equivalents	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)

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 2021				
Net assets of each joint venture	**349,099**	**97,954**	**4,332**	**2,097**
Proportion of the Group's ownership interest in each joint venture	**45.47%**	**49%**	**40%**	**50.08%**
The Group's share of net assets of each joint venture	**158,735**	**47,997**	**1,733**	**1,050**
Consideration premium	**–**	**–**	**8,867**	**–**
Exchange realignment	**–**	**(1,402)**	**(810)**	**–**
Impairment loss	**–**	**(21,232)**	**–**	**–**
Adjustments (Note a)	**29,511**	**–**	**–**	**(369)**
Carrying amount of the Group's interest in each joint venture	**188,246**	**25,363**	**9,790**	**681**
The Group's share of profit/(loss) in each joint venture (Note b)	**11,720**	**(3,965)**	**(1,154)**	**–**

18 INTERESTS IN JOINT VENTURES *(Continued)*

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

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 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)

(a) At 31 December 2021 and 2020, the adjustment under Zhuhai 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.

18 INTERESTS IN JOINT VENTURES *(Continued)*

Summary of share of results of joint ventures:

For the year ended 31 December 2021	**Zhuhai Education RMB'000**	**KSI Education RMB'000**	**SRMC RMB'000**	**FC Wentou RMB'000**	**Total RMB'000**
The Group's share of profit/(loss) and other comprehensive income/(loss)	**11,720**	**(3,965)**	**(1,154)**	**–**	**6,601**

For the year ended 31 December 2020	FC Guolian RMB'000	FC Lianxin RMB'000	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000	Total RMB'000
The Group's share of (loss)/profit and other comprehensive (loss)/income	25,499	232	16,803	(29,855)	(1,818)	(5)	10,856

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 2020	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
Discontinued operation	**–**	**–**	**(50,605)**	**(75,994)**	**(152,829)**	**–**	**–**	**(279,428)**
Exchange realignment	**–**	**–**	**(135)**	**–**	**–**	**–**	**–**	**(135)**
At 31 December 2021	**80,556**	**555**	**11,205**	**–**	**100,126**	**–**	**–**	**192,442**
Accumulated amortisation and impairment								
At 1 January 2020	(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)
Charge for the year	**(7,009)**	**–**	**(4,912)**	**–**	**–**	**–**	**–**	**(11,921)**
Discontinued operations	**–**	**–**	**10,711**	**48,343**	**101,914**	**–**	**–**	**160,968**
Exchange realignment	**–**	**–**	**51**	**–**	**–**	**–**	**–**	**51**
At 31 December 2021	**(33,829)**	**(555)**	**(6,724)**	**–**	**–**	**–**	**–**	**(41,108)**
Carrying values								
At 31 December 2021	**46,727**	**–**	**4,481**	**–**	**100,126**	**–**	**–**	**151,334**
At 31 December 2020	53,736	–	49,371	27,651	151,041	–	–	281,799

19 INTANGIBLE ASSETS *(Continued)*

Amortisation expense of RMB11,921,000 (2020: RMB36,292,000) has been expensed in administrative expenses.

The management regards brand ("**brand from Xinjiang Edukeys**") of RMB100,126,000 (2020: 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 2021, the carrying value amounted to RMB100,126,000 (2020: RMB100,126,000) and no impairment loss were recognised for the year ended 31 December 2021 and 2020.

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.

20 GOODWILL

	2021 RMB'000	2020 RMB'000
Cost		
At 1 January	**598,746**	611,120
Reversal on disposal of a subsidiary	–	(12,374)
At 31 December	**598,746**	598,746
Impairment		
At 1 January	**(323,643)**	(287,549)
Reversal on disposal of a subsidiary	–	12,373
Charge for the year	**(275,103)**	(48,467)
At 31 December	**(598,746)**	(323,643)
Carrying values		
At 31 December	–	275,103

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

20 GOODWILL *(Continued)*

The carrying amounts of goodwill as at 31 December 2021 and 2020 allocated to these CGUs are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
CGU Jinan Baofei	**–**	61,638
CGU Xishan Schools	**–**	202,746
CGU Xinjiang Edukeys	**–**	10,719
	–	275,103

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 2021 and 2020 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 2020	(29,655)	(101,763)	–	–	(12,373)	(143,758)	(287,549)
Impairment	–	–	–	–	–	(48,467)	(48,467)
Reversal on disposal of a subsidiary	–	–	–	–	12,373	–	12,373
At 31 December 2020	(29,655)	(101,763)	–	–	–	(192,225)	(323,643)
Impairment	**–**	**–**	**(61,638)**	**(202,746)**	**–**	**(10,719)**	**(275,103)**
At 31 December 2021	**(29,655)**	**(101,763)**	**(61,638)**	**(202,746)**	**–**	**(202,944)**	**(598,746)**

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 (2020: 5-year period).

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 2021	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**12.95%**
31 December 2020	N/A	N/A	12.97%	12.97%	N/A	13.26%
Long-term growth rate						
31 December 2021	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**2.00%**
31 December 2020	N/A	N/A	3.00%	3.00%	N/A	3.00%

Cash flows beyond the 5-year period (2020: 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 had 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 had been partially disposed in 2020.

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

CGU Brilliant Rich

Given the remaining carrying amount of property, plant and equipment, right-of use assets and intangible assets were not significant as at 31 December 2021, the management of the Group did not consider any further impairment impact for the year ended 31 December 2021.

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. As stated in Note 2.1, due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the Consolidated Affiliated Entities through contractual agreements. Hence, the management of the Group determines that there is full impairment of the CGU containing goodwill during the year ended 31 December 2021.

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. As stated in Note 2.1, due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the Consolidated Affiliated Entities through contractual agreements. Hence, the management of the Group determines that there is full impairment of the CGU containing goodwill during the year ended 31 December 2021.

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 RMB10,719,000 has been impaired. The recoverable amount of Xinjiang Edukeys amounted to RMB119,742,000 as at 31 December 2021 (2020: RMB171,878,000). If the discount rate was changed to 14.95% (2020: 15.26%), while other parameters remain constant, the recoverable amount of Xinjiang Edukeys would reduce to RMB83,307,000 (2020: RMB137,044,000) and a further impairment on goodwill, intangible assets, and property, plant and equipment in Xinjiang Edukeys, in aggregate, of RMB350,000 (2020: RMB34,834,000) would be recognised.

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 2021 RMB'000	31 December 2020 RMB'000
Deferred tax assets	**7,762**	7,762
Deferred tax liabilities	**(45,934)**	(96,615)
	(38,172)	(88,853)

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

	Changes in fair values of financial instruments RMB'000	**Fair value changes of assets acquired through business combination** RMB'000	**Total** RMB'000
At 1 January 2020	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)
Credit to profit or loss	**–**	**1,752**	**1,752**
Deconsolidation of subsidiaries	**–**	**48,929**	**48,929**
At 31 December 2021	**7,762**	**(45,934)**	**(38,172)**
Analysed as:			
As at 31 December 2021			
To be recovered after than 12 months	**7,762**	**(45,934)**	**(38,172)**
As at 31 December 2020			
To be recovered after than 12 months	7,762	(96,615)	(88,853)

21 DEFERRED TAX *(Continued)*

At 31 December 2021, the Group has unused tax losses of RMB766,239,000 (2020: RMB638,652,000) will expire throughout to 2026 (2020: 2025), and RMB1,891,584,000 (2020: RMB1,890,470,000) can be carried forward indefinitely under current tax legislation. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC established subsidiaries that are received by non-PRC resident entities from 1 January 2008 onwards. No group companies established in the PRC has distributable profits as at 31 December 2021 or 2020.

22 FINANCIAL ASSETS MEASURED AT FVTPL

	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets measured at FVTPL	**391,274**	692,345
Analysed for reporting purposes as:		
– Current assets (Note a)	**391,274**	692,345

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Listed equity securities:		
– Hong Kong	**118,579**	313,913
– The PRC	**233,233**	251,258
– Overseas	**11,660**	18,357
Unlisted investments:		
– Hong Kong	**–**	19,413
– The PRC	**19,514**	74,475
– Overseas	**8,288**	12,838
Others	**–**	2,091
	391,274	692,345

22 FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

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

		As at 31 December 2021					For the year ended 31 December 2021	
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
SJW International Co., Ltd	Education	0.25	5%	8,288	0.27%	23,911	54	–
BOCOM International (HK.3329)	Banking	7,476	0.27%	19,943	0.65%	30,447	8,763	991
北京知路研修教育科技有限公司	Education	176.5	15%	12,881	0.42%	12,000	–	–
深圳首中教育產業發展股權投資企業(有限合夥)	Education	41,759	14.56%	-	0%	41,760	(41,760)	–
MindChamps (SGX.CNE)	Education	12,056	4.99%	11,660	0.38%	31,615	(4,592)	–
Bojun Education (HK.1758)	Education	150,000	18%	51,325	1.68%	250,000	(14,933)	–
VIRSCEND EDU (HK.1565)	Education	85,088	3%	18,703	0.61%	360,922	(131,729)	1,763
GUANGAN AAA (SHA.600979)	Utility	6,114	6%	221,327	7.24%	357,460	24,520	–
Listed equities held through First Capital Education Selected Fund	Various	N/A	N/A	3,430	0.11%	40,118	–	2,108
Listed equities held through First Capital Global Education Investment SP	Various	N/A	N/A	4,198	0.14%	14,266	–	425
Others	N/A	N/A	N/A	39,519	1.29%	153,379	(12,809)	345
				391,274		1,315,878	(172,486)	5,632

The Group's investment in certain suspended listed equity amounting to approximately RMB7,400,000 (2020: RMB78,104,192) were transferred to one of the lenders of borrowings through repurchase agreements. As the Group has not transferred significant risks and rewards relating to the suspended listed equity, it continues to recognise the amount at its fair value and has recognised the cash received on the transfer and the corresponding liabilities as borrowings in the consolidated statement of financial position.

22 FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

(b) *(Continued)*

Financial assets measured at FVTPL	Main business	As at 31 December 2020					For the year ended 31 December 2020	
		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 (restated)	Investment gain RMB'000
Yuanyin Holdings Limited	Finance	100,000	10.53%	19,413	0.43%	74,494	(58,841)	–
SJW International Co., Ltd	Education	0.25	5%	8,482	0.19%	23,911	(23,344)	–
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)	–
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
GUANGAN AAA (SHA.600979)	Utility	75,001	6%	251,255	2.59%	357,460	20,807	2,101
Listed equities held through First Capital Education Selected Fund	Various	N/A	N/A	20,335	0.45%	40,118	38,341	2,108
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	(124,050)	1,052
				692,345		1,448,930	(135,265)	11,925

23 TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables (Note a)	**455,643**	492,256
Less: allowance for trade receivables	**(40,252)**	(32,494)
	415,391	459,762
Bills receivables (Note b)	**109,570**	94,105
Receivables from non-controlling shareholders of Xishan Schools	**–**	95,769
Rental deposits, prepayments and other receivables	**278,831**	282,342
Less: allowance for other receivables	**(25,185)**	(98,034)
	778,607	833,944
Value-added tax recoverable	**–**	199
Prepayment to a supplier of automotive parts	**76,748**	54,239
Advances to suppliers	**13,572**	25,566
	868,927	913,948
Less: amounts shown under non-current assets	**(17,763)**	(27,255)
Total trade and other receivables shown under current assets	**851,164**	886,693

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.

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 2021 RMB'000	31 December 2020 RMB'000
0 to 90 days	**391,973**	327,924
91 to 180 days	**23,377**	122,868
181 to 365 days	**–**	4,230
Over 365 days	**41**	4,740
	415,391	459,762

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

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
0 to 30 days	**77,765**	–
31 to 60 days	**–**	1,423
61 to 90 days	**–**	785
91 to 120 days	**2,337**	33,342
121 to 150 days	**10,719**	26,937
151 to 180 days	**18,749**	31,618
	109,570	94,105

24 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Amounts due from joint ventures		
FC Wentou	**–**	2,354
KSI Education	**4,197**	5,307
Zhuhai Education	**205,240**	196,467
SRMC	**24**	25
	209,461	204,153
Less: Provision for impairment	**(12,304)**	(425)
	197,157	203,728

The receivable balances as at 31 December 2021 and 2020 had not past due. The amounts are non-trade related, unsecured, non-interest bearing, and repayable on demand.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Amount due to a joint venture		
Zhuhai Education	**–**	1,903

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

25 INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	**14,753**	28,085
Work-in-progress	**10,116**	7,255
Finished goods	**51,236**	56,819
Consumables	**–**	1,240
	76,105	93,399

At 31 December 2021, included in the carrying amount are provision of RMB22,946,000 (2020: RMB31,248,000), which is determined with reference to the net realisable values of the inventory items.

Reversal of provision of RMB8,302,000 (2020: a provision of RMB5,261,000) was made during the year ended 31 December 2021.

Cost of inventories sold amounted to RMB888,983,000 (2020: RMB567,558,000) for the year ended 31 December 2021.

26 LOAN AND INTEREST RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Loan receivables	**147,449**	256,132
Interest receivables	**43,970**	48,570
	191,419	304,702
Less: allowance for loan and interest receivables	**(155,156)**	(231,132)
	36,263	73,570
Less: amounts shown under non-current assets	**–**	(16,346)
	36,263	57,224

The balances outstanding as at 31 December 2021 are of original maturity terms ranging from 6 months to 48 months (2020: from 7 days to 24 months). All loan receivables carry interests within the range of 8% to 16.8% (2020: 0% to 18%) per annum.

27 SECURITY ACCOUNT BALANCES

As at 31 December 2021 and 2020, the security account balances represent deposits placed by the Group in security trading companies. The balances are unsecured, non-interest bearing and can be withdrawn at any time without penalty.

28 RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

As at 31 December 2021, bank balances carry interest at market rates ranging from 0.01% to 0.55% (2020: 0.0625% to 0.35%) per annum.

As at 31 December 2021, included in the balances of restricted bank balances are (i) an aggregate amount of RMB60,419,000 (2020: RMB62,862,000) representing the customer deposits for trading securities, (ii) RMB116,645,000 (2020: RMB68,020,000) representing cash deposited with banks as pledge for the bills payable with an original maturity within one year issued to suppliers for the purchase of raw materials, and (iii) RMB15,000,000 (2020: RMB20,000,000) representing other restricted funds. As at 31 December 2021, restricted bank balances, carrying interest at market rates ranging 0.30% to 2.80% (2020: 0.15% to 2.66%) per annum.

The remittance of funds out of the PRC amounted to approximately RMB140,663,000 (2020: RMB193,622,000) is subject to foreign exchange restrictions imposed by the PRC government.

29 TRADE AND OTHER PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables (Note a)	**577,396**	506,067
Bills payables (Note b)	**233,724**	77,350
	811,120	583,417
Accruals and other payables	**318,138**	156,274
Customer deposits for securities trading	**60,419**	62,862
Other tax payables	**6,700**	35,816
Payroll and welfare payables	**53,844**	122,148
	1,250,221	960,517
Less: amounts shown under non-current liabilities	**(137)**	(137)
Total amounts shown under current liabilities	**1,250,084**	960,380

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 2021 RMB'000	31 December 2020 RMB'000
0 to 90 days	**369,180**	388,404
91 to 180 days	**54,364**	67,222
181 to 365 days	**22,134**	15,244
Over 365 days	**131,718**	35,197
	577,396	506,067

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
0 to 30 days	**43,930**	9,900
31 to 60 days	**34,150**	4,000
61 to 90 days	**18,420**	12,450
91 to 180 days	**24,800**	38,000
Over 180 days	**112,424**	13,000
	233,724	77,350

30 BORROWINGS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Bank borrowings	**619,500**	541,073
Notes and debentures	**729,283**	709,932
Other borrowings	**201,965**	292,654
Loans from government (Note a)	**61,649**	59,238
Loans from independent third parties (Note b)	**140,316**	233,416
	1,551,288	1,543,659
Unsecured and unguaranteed borrowings	**1,159,041**	1,201,973
Secured and unguaranteed borrowings	**392,247**	341,686
	1,551,288	1,543,659

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

(b) The loans are unsecured, bearing interest range from 0% to 12% (2020: 0% to 12%) per annum and repayable within four years (2020: within five years).

The contractual maturity dates of borrowings are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within one year	**1,077,677**	777,363
Between one year to two years	**185,488**	381,678
Between two to five years	**276,362**	261,712
Over five years	**11,761**	122,906
	1,551,288	1,543,659
Less: amounts shown under current liabilities	**(1,077,677)**	(1,165,453)
Amounts shown under non-current liabilities	**473,611**	378,206

30 BORROWINGS *(Continued)*

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

	2021	2020
Variable-rate borrowings	**China loan prime rate +1.00% to +1.1375%**	China loan prime rate +0.38% to +1.085%
Fixed-rate borrowings	**0% to 12.00%**	0% to 12.00%

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Property, plant and equipment	**102,211**	245,422
Financial assets measured at FVTPL	**280,052**	420,732
	382,263	571,644

At 31 December 2021, certain shareholders of the Company, including Wealth Max Holdings Limited has pledged the Company's shares with fair value amounting to approximately RMB5,396,000 (2020: RMB14,974,000) to the financial institutions for securing financial facilities granted to the Group. The amounts are repayable at various days throughout to 2022.

As at 31 December 2021 and 2020, 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.

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.

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 December 2019, the Group was in default to redeem the convertible bonds with principal amount of HK$800 million and in September 2020, a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK$863 million (equivalent to approximately RMB727 million).

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

	RMB'000
At 1 January 2020	721,925
Interest charged (Note 11)	104,872
Repayment	(26,730)
Exchange realignment	(48,375)
At 31 December 2020	751,692
Interest charged (Note 11)	**95,903**
Repayment	**–**
Exchange realignment	**(22,921)**
At 31 December 2021	**824,674**

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.

32 DEFERRED INCOME

	Government grants RMB'000
At 1 January 2020	59,035
Additions	5,584
Utilisation	(9,974)
At 31 December 2021	54,645
Discontinued operation	**(280)**
Additions	**36,819**
Utilisation	**(37,217)**
At 31 December 2021	**53,967**

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed for reporting purposes as:		
– Current liabilities	**5,433**	7,594
– Non-current liabilities	**48,534**	47,051
	53,967	54,645

The government grants mainly represented amounts designated for the expenditure on development of the recycling and purifying facilities received in 2009, and the amounts received in relation to acquisition of certain plant and equipment, which were recorded as deferred income in the consolidated statement of financial position and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

33 PROVISIONS

	Warranty provision RMB'000
At 1 January 2020	24,149
Additions	33,311
Utilisation	(27,427)
At 31 December 2020	30,033
Additions	**45,788**
Utilisation	**(26,314)**
At 31 December 2021	**49,507**

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

	FC Wentou RMB'000
At 1 January 2020	61,647
Fair value changes	2,681
Settlement	(64,328)
At 31 December 2020 and 2021	–

35 LONG-TERM PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Advanced deposits	**–**	24,352

The balance was measured at imputed interest rate of 4.9% per annum and the balance was unsecured and repayable by instalments throughout to 2029. RMB1,586,000 was recognised as finance costs.

36 SHARE CAPITAL

	Number of shares	Share capital HK$	Par value per Shares HK$
Authorised:			
At 1 January 2020 and 31 December 2020	50,000,000,000	1,000,000,000	0.02
Share Consolidation (Note a)	(40,000,000,000)	–	N/A
At 31 December 2021	10,000,000,000	1,000,000,000	0.10
Issued and fully paid:			
At 1 January 2020 and 31 December 2020	5,026,892,000	100,537,840	0.02
Issue of Shares (Note b)	466,800,000	9,336,000	0.02
Issue of Shares (Note c)	227,000,000	4,540,000	0.02
Share Consolidation (Note a)	(4,576,553,600)	–	N/A
At 20 August 2021	1,144,138,400	114,413,840	0.10
Issue of Shares (Note d)	201,061,600	20,106,160	0.10
At 31 December 2021	1,345,200,000	134,520,000	0.10

Notes :

a) On 20 August 2021, every five issued and unissued existing Shares of par value of HK$0.02 each in the share capital of the Company be consolidated into one consolidated Share of par value of HK$0.10 each.

b) On 21 June 2021, 466,800,000 Shares were allotted and issued by way of consideration issue for the purpose of capitaling outstanding debts of the Group.

c) On 21 June 2021, 227,000,000 Shares were allotted and issued by way of top-up placing for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

d) On 29 November 2021, 201,061,600 Shares were allotted and issued by way of placement for the purpose of repaying outstanding debts of the Group and for general working capital of the Group.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Share capital presented in consolidated statement of financial position	**112,290**	84,283

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 were set out in Note 3. The fair value change of the consideration receivable was 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.

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)

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

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(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.

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

	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

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(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

Assets acquired and liabilities assumed at the date of acquisition were 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)

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 were 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)

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(e) Disposal of 深圳首控國際電子商務有限公司 and its subsidiaries

During the year ended 31 December 2021, the Group entered into an agreement to dispose of its equity interest in 深圳首控國際電子商務有限公司 for RMB2,800,000. The purpose of the disposal is to generate cash for the expansion of the Group's other business. The disposal was completed on 31 October 2021, on which date the Group lost control of 深圳首控國際電子商務有限公司 and a gain of approximately RMB7,134,000 arising on disposal was resulted.

Analysis of assets and liabilities of 深圳首控國際電子商務有限公司 over which control was lost:

	RMB'000
Right-of-use assets	646
Bank balances and cash	1,118
Trade and other receivables	4,301
Trade and other payables	(9,666)
Lease liabilities	(733)
Net liabilities disposal of	(4,334)

	RMB'000
Consideration received	2,800
Less: Share of net liabilities disposal of	4,334
Gain on disposal 深圳首控國際電子商務有限公司	7,134

	RMB'000
Cash consideration	2,800
Less: bank balances and cash disposal of	(1,118)
Net cash inflows on disposal of 深圳首控國際電子商務有限公司	1,682

38 OTHER COMMITMENTS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Capital expenditure in respect of acquisition of plant and machinery and construction costs		
– Contracted for but not provided in the consolidated financial statements	**3,284**	7,057
Capital expenditure in respect of investments in joint ventures		
– Contracted for but not provided in the consolidated financial statements	**–**	219,530

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 2021:

	2021 RMB'000	2020 RMB'000
Consideration received from an executive director of the Company for the partial disposal of a subsidiary	**–**	523

40 FINANCIAL INSTRUMENTS BY CATEGORIES

		31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets			
Amounts due from joint ventures	At amortised cost	**197,157**	203,728
Amount due from an associate	At amortised cost	**70,097**	98,632
Trade and other receivables	At amortised cost	**778,607**	833,944
Loan and interest receivables	At amortised cost	**36,263**	73,570
Contingent consideration receivables	FVTPL	**–**	7,759
Financial assets measured at FVTPL	FVTPL	**391,274**	692,345
Security account balances	At amortised cost	**7,732**	18,608
Restricted bank balances	At amortised cost	**192,064**	150,882
Bank balances and cash	At amortised cost	**220,364**	207,451
Financial liabilities			
Trade and other payables	At amortised cost	**1,250,221**	960,517
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	**1,551,288**	1,543,659
Convertible bonds	At amortised cost	**824,674**	751,692
Long-term payables	At amortised cost	**–**	24,352

41 DISCONTINUED OPERATIONS

As stated in Note 4(a), due to regulatory restrictions on foreign ownership of the Group's schools in the PRC, the Group controls the Consolidated Affiliated Entities through Contractual Agreements.

In May 2021, Implementation Regulations were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Business were no longer enforceable from 1 September 2021. Management assessed the implications of this new regulation and concluded that, based on the facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Business had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Business. Accordingly, the Directors assessed that the Group ceased its control over the Affected Business by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Business was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors classified the operations relating to the Affected Business as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss for the period from 1 January 2021 to 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year's presentation (Note 46).

The net assets relating to the Affected Business were RMB280,372,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Business was recognised during the year and included in the losses from discontinued operations.

41 DISCONTINUED OPERATIONS *(Continued)*

The assets and liabilities relating to the Affected Business as at 31 August 2021 were set out as below:

	As at 31 August 2021 RMB'000
ASSETS	
Non-current assets	
Property, plant and equipment	273,619
Right-of-use assets	21,424
Intangible assets	50,923
Total non-current assets	345,966
Current assets	
Inventories	1,848
Trade and other receivables	422,215
Financial assets measured at FVTPL	23,619
Bank balances and cash	181,623
Total current assets	629,305
Total assets	975,271
LIABILITIES	
Non-current liabilities	
Lease liabilities	15,472
Deferred income	147
Long-term payables	20,884
Contract liabilities	206,691
Total non-current liabilities	243,194
Current liabilities	
Trade and other payables	219,393
Borrowings – due within one year	9,823
Lease liabilities	239
Income tax payable	49,299
Deferred income	80
Contract liabilities	172,871
Total current liabilities	451,705
Total liabilities	694,899
Net assets	280,372

41 DISCONTINUED OPERATIONS *(Continued)*

Discontinued operations

Consolidated statement of profit or loss and comprehensive income	**For the period from 1 January 2021 to 31 August 2021 RMB'000**	For the year ended 31 December 2020 RMB'000
Revenue	**219,133**	331,247
Cost of sales/services	**(135,870)**	(196,207)
Gross profit	**83,263**	135,040
Other income and expenses	**33,185**	22,096
Other gains, net	**692**	1,501
ECL, net of reversal	**(531)**	–
Selling and distribution expenses	**(14,627)**	(20,698)
Administrative expenses	**(58,312)**	(72,150)
Operating profit	**43,670**	65,789
Finance costs	**(7,759)**	(10,628)
Profit before income tax	**35,911**	55,161
Income tax expense	**(5,615)**	(10,477)
Profit for the year before one-off losses upon deconsolidation of the Affected Business	**30,296**	44,684
Loss on deconsolidation of Affected Business	**(247,212)**	–
(Loss)/profit for the year	**(216,916)**	44,684

42 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash (used in)/generated from operations

	Notes	**2021** **RMB'000**	2020 RMB'000 (Restated)
Loss before income tax		**(887,309)**	(453,002)
Adjustments for:			
Amortisation of intangible assets	19	**11,921**	36,292
Depreciation of property, plant and equipment	15	**49,438**	74,723
Depreciation of right-of-use assets	16(i)	**14,976**	20,013
Losses/(gains) on disposal of property, plant and equipment	15	**4,479**	(3,405)
Fair value changes of financial assets measured at FVTPL	22	**172,486**	135,265
Fair value changes of contingent consideration payables		**–**	2,681
Share-based payment		**–**	4,360
Interest income	7	**(21,006)**	(8,539)
Interest expense	11	**197,445**	206,821
Dividends received from financial assets measured at FVTPL	8	**(5,632)**	(11,925)
Written off of trade receivables	8	**82,035**	–
Share of results of joint ventures	18	**(6,601)**	(10,856)
Share of results of associates	17	**105**	1,345
(Reversal of provision)/provision on inventories	25	**(8,302)**	5,261
ECL recognised/(reversal of ECL) in respect of trade receivables		**7,758**	(17,560)
(Reversal of ECL)/ECL recognised in respect of loan and interest receivables		**(75,976)**	62,570
(Reversal of ECL)/ECL recognised in respect of other receivables		**(72,849)**	57,741
ECL recognised in respect of amounts due from joint ventures		**11,879**	425
Impairment loss recognised in respect of interests in joint ventures		**21,232**	15,183
Impairment losses on goodwill, tangible and intangible assets		**379,103**	48,467
Loss on disposal of Stirling Coleman		**–**	30,241
Loss on acquisition of FC Guolian		**–**	3,325
Loss on acquisition of FC Lianxin		**–**	903
Release of asset-related government grants/interest-free loans		**–**	(1,710)
Movement in exchange reserve		**(139,572)**	(130,220)

42 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Net cash (used in)/generated from operations *(Continued)*

	2021 RMB'000	2020 RMB'000 (Restated)
Operating cash flows before movements in working capital	**(264,390)**	68,399
Changes in working capital:		
Inventories	**(5,652)**	90,581
Amounts due from joint ventures	**(5,308)**	69,875
Amount due from an associate	**28,535**	(98,632)
Trade and other receivables	**28,077**	152,939
Loan and interest receivables	**113,283**	(67,923)
Financial assets measured at FVTPL	**85,071**	75,457
Contingent consideration receivables	**7,759**	–
Restricted bank balances	**(41,182)**	330,147
Trade and other payables	**289,701**	(301,128)
Amount due to an associate	**(6,631)**	6,631
Amount due to a joint venture	**(1,903)**	1,903
Deferred income	**(678)**	(2,600)
Contract liabilities	**(333,666)**	(12,559)
Long-term payables	**(24,352)**	(1,585)
Provisions	**19,477**	5,884
Cash (used in)/generated from operations	**(80,611)**	317,389

(b) Non-cash transactions

For the year ended 31 December 2020

During the 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.

42 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 2020 (Restated)	–	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)
Non-cash changes								
Finance cost recognised (Note 11)	–	100,593	104,872	–	814	542	–	206,821
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	128,254	29,901	22,766	2,484,806
Financing cash flows	–	(93,698)	–	–	–	(27,801)		(121,499)
Non-cash changes								
Finance cost recognised (Note 11)	–	101,327	95,903	–	1	214	–	197,445
Other non-cash movements	(1,903)	–	–	(6,631)	251,941	11,495	(22,766)	232,136
Exchange realignment	–	–	(22,921)	–	–	–	–	(22,921)
At 31 December 2021	–	1,551,288	824,674	–	380,196	13,809	–	2,769,967

43 SHARE OPTION SCHEME/SHARE-BASED PAYMENT

In 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 were 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 2021, no share options was granted. During the year ended 31 December 2020, 50,000,000 share options were granted to a BVI incorporated company, which is wholly owned by the chief financial officer of the Group.

43 SHARE OPTION SCHEME/SHARE-BASED PAYMENT *(Continued)*

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
Upon share consolidation become effective	(40,000,000)
Outstanding as at 31 December 2021	10,000,000

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
Exercise price (upon share consolidation become effective)	HK$1.50
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.

44 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2021 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 31 December 2021	31 December 2020	Principal activities	Legal form
Beijing Edukeys International Management Consulting Company Limited* (北京中際育才國際管理顧問有限公司)	PRC 23 May 2008	RMB3,000,000	**100%**	100%	Education service	Domestic limited liability company
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%**	100%	Equity investment	Limited partnership
FC Lianxin	PRC 19 April 2016	RMB10,000,000	**N/A##**	100%	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%**	100%	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	**N/A##**	100%	Investment holding	Private limited liability company

44 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 31 December 2021	31 December 2020	Principal activities	Legal form
First Capital Financial Group Limited	BVI 28 November 2012	US$1	**100% (directly)**	100% (directly)	Investment holding	Private limited liability company
First Capital Global Education Investment SP	Cayman Islands 25 April 2016	N/A	**63.42%**	63.42%	Investment fund	Segregated portfolio
First Capital International Finance Limited	Hong Kong 25 February 2016	HK$59,000,000 (2020: 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	**0%#**	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

44 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 31 December 2021	Effective equity interest attributable to the Group 31 December 2020	Principal activities	Legal form
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	**0%#**	53.3%	Educational services	Non-enterprise entity
Jinan Baofei	PRC 6 June 2016	RMB10,000,000	**0%#**	51%	Investment holding	Domestic limited liability company
Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)	PRC 30 August 2003	RMB10,000,000	**0%#**	51%	Educational services	Non-enterprise entity
Nanyang Cijan	PRC 23 June 2005	HK$320,000,000	**46.25%**	46.25%	Research, development and manufacture of automobile shock absorber and suspension system products	Foreign invested limited liability company
Ordos Cijan Auto Shock Absorber Company Limited* (鄂爾多斯市淅減汽車減振器有限公司)	PRC 14 August 2012	RMB10,000,000	**46.25%**	46.25%	Research, development and manufacture of automobile shock absorber and suspension system products	Domestic limited liability company
Shanghai Shenlian Investment Management Company Limited* (上海申聯投資管理有限公司)	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

44 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 31 December 2021	31 December 2020	Principal activities	Legal form
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
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%**	46.25%	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	**0%#**	53.3%	Investment holding	Domestic limited liability company

As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021.

The subsidiary had been deregistered or disposed during the year.

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.

44 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 2021	31 December 2020	**2021 RMB'000**	2020 RMB'000	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Guang Da	The PRC	**53.75%**	53.75%	**(157,733)**	(17,765)	**25,709**	119,984
Jinan Baofei[#/##]	The PRC	**–**	49%	**–**	(6,427)	**–**	53,694
Xishan Education[#/##]	The PRC	**–**	46.7%	**–**	5,068	**–**	114,142
Individually immaterial subsidiaries with non-controlling interests				**(11,715)**	(9,380)	**44,870**	40,225
Total				**(169,448)**	(28,504)	**70,579**	328,045

[#] They are the Consolidated Affiliated Entities.

[##] As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021.

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	
	31 December 2021 RMB'000	31 December 2020 RMB'000	**31 December 2021 RMB'000**	31 December 2020 RMB'000	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Current assets	**1,076,336**	937,522	**–**	29,838	**–**	384,396
Non-current assets	**611,610**	756,289	**–**	227,357	**–**	609,867
Current liabilities	**(1,512,690)**	(1,338,293)	**–**	(167,343)	**–**	(640,337)
Non-current liabilities	**(211,794)**	(108,464)	**–**	(29,643)	**–**	(228,519)
Equity	**(62,247)**	127,070	**–**	6,515	**–**	11,265
Non-controlling interests	**25,709**	119,984	**–**	53,694	**–**	114,142

44 SUBSIDIARIES (CONTINUED)

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

	Guang Da		Jinan Baofei		Xishan Education	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**1,014,706**	942,907	**–**	84,297	**–**	246,950
(Loss)/profit for the year	**(183,916)**	(32,942)	**–**	(13,117)	**–**	10,852
(Loss)/profit attributable to						
– owners of the Company	**(85,061)**	(15,177)	**–**	(6,690)	**–**	5,784
– non-controlling interests	**(98,855)**	(17,765)	**–**	(6,427)	**–**	5,068
Other comprehensive (loss)/income attributable to						
– owners of the Company	**3,941**	(441)	**–**	–	**–**	–
– non-controlling interests	**4,580**	(292)	**–**	–	**–**	–
Total comprehensive (loss)/income attributable to						
– owners of the Company	**(81,120)**	(15,618)	**–**	(6,690)	**–**	5,784
– non-controlling interests	**(94,275)**	(18,057)	**–**	(6,427)	**–**	5,068

45 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**13**	37
Right-of-use assets	**505**	457
Interests in subsidiaries	**54,805**	328,905
Interests in joint ventures	**46,595**	52,046
Other receivables	**10,334**	8,417
Amounts due from subsidiaries	**781,560**	1,062,855
	893,812	1,452,717
Current assets		
Other receivables	**104,884**	58,178
Financial assets measured at FVTPL	**159,022**	318,681
Security account balances	**466**	4,501
Bank balances and cash	**4,027**	19,882
	268,399	401,242
Total assets	**1,162,211**	1,853,959
LIABILITIES		
Non-current liabilities		
Borrowings – due after one year	**280,963**	316,968
Lease liabilities	**508**	–
	281,471	316,968
Current liabilities		
Other payables	**39,791**	37,588
Amounts due to subsidiaries	**136,775**	97,769
Borrowings – due within one year	**576,665**	624,854
Convertible bonds	**824,674**	751,692
Lease liabilities	**–**	472
	1,577,905	1,512,375
Total liabilities	**1,859,376**	1,829,343
Total assets less current liabilities	**(415,694)**	341,584
Net (liabilities)/assets	**(697,165)**	24,616

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

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

		2021 RMB'000	2020 RMB'000
OWNERS' EQUITY			
Share capital		**112,290**	84,283
Reserves	45(b)	**(809,455)**	(59,667)
Total (deficit in equity)/equity		**(697,165)**	24,616

The statement of financial position of the Company was approved by the board of directors of the Company on 31 March 2022 and were signed on its behalf.

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

45 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 2020	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 income/(loss)	–	–	(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)
Loss for the year	**–**	**–**	**–**	**(730,964)**	**(730,964)**
Exchange difference arising on translation of presentation currency	**–**	**–**	**(50,319)**	**–**	**(50,319)**
Issuance of shares from top-up subscription	**4,719**	**–**	**–**	**–**	**4,719**
Issuance of shares from debt capitalisation	**9,703**	**–**	**–**	**–**	**9,703**
Issuance of shares	**17,073**	**–**	**–**	**–**	**17,073**
Set off against accumulated losses	**(4,036,480)**	**–**	**–**	**4,036,480**	**–**
Total comprehensive (loss)/income	**(4,004,985)**	**–**	**(50,319)**	**3,305,516**	**(749,788)**
At 31 December 2021	**31,495**	**4,360**	**(67,337)**	**(777,973)**	**(809,455)**

46 RE-PRESENTATION OF COMPARATIVE FIGURES

As a result of the impact of the matters as disclosed in Note 41, prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item. Line items were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The impact on the current period is not disclosed.

	For the year ended 31 December 2020		
Consolidated statement of profit or loss and comprehensive income	As previously presented RMB'000	Restatement adjustments RMB'000	Restated RMB'000
Revenue	1,361,213	(331,247)	1,029,966
Cost of sales/services	(1,045,367)	196,207	(849,160)
Gross profit	315,846	(135,040)	180,806
Other income and expenses	63,615	(22,096)	41,519
Other losses, net	(16,021)	(1,501)	(17,522)
Selling and distribution expenses	(63,055)	20,698	(42,357)
Administrative expenses	(269,470)	72,150	(197,320)
Finance costs	(217,449)	10,628	(206,821)
Loss before income tax	(397,841)	(55,161)	(453,002)
Income tax (expense)/credit	(4,387)	10,477	6,090
Loss for the year from continuing operations	(402,228)	(44,684)	(446,912)
Discontinued operations			
Profit for the year from discontinued operations	–	44,684	44,684
Loss for the year	(402,228)	–	(402,228)
Basic (loss)/earnings per share			
– Continuing operations	(0.39)	(0.02)	(0.37)
– Discontinued operations	–	0.02	0.02
Diluted (loss)/earnings per share			
– Continuing operations	(0.39)	(0.02)	(0.37)
– Discontinued operations	-	0.02	0.02

46 RE-PRESENTATION OF COMPARATIVE FIGURES *(Continued)*

The following tables show the re-presented cash flow information of prior year:

	For the year ended 31 December 2020		
	As previously presented RMB'000	Restatement adjustments RMB'000	Restated RMB'000
Cash flows from operating activities			
Continuing operations	314,129	(9,568)	304,561
Discontinued operations	–	9,568	9,568
Net cash generated from operating activities	314,129	–	314,129
Cash flows from investing activities			
Continuing operations	69,851	8,540	78,391
Discontinued operations	–	(8,540)	(8,540)
Net cash used in investing activities	69,851	–	69,851
Cash flows from financing activities			
Continuing operations	(408,094)	7,353	(400,741)
Discontinued operations	–	(7,353)	(7,353)
Net cash used in financing activities	(408,094)	–	(408,094)

47 EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Reorganisation and amendment of the terms and conditions of the Convertible Bonds

On 13 January 2022, the Company, Champion Sense Global Limited and Principal Global Investment Limited entered into a framework agreement for the purposes of, among others, setting forth the terms and conditions in relation to the reorganisation of the Convertible Bonds. As part of arrangements for the reorganisation of the Convertible Bonds, additional security documents were entered into on 1 December 2021, and a Convertible Bonds purchase agreement and a Convertible Bonds amendment and restatement agreement (the "**Amendment and Restatement Agreement**") were entered into on 13 January 2022. Pursuant to the Amendment and Restatement Agreement, the Company and Champion Sense agreed on the amendments to the terms and conditions of the Convertible Bonds which include, among others, (a) a change of the maturity date of the Convertible Bonds; and (b) a change of the conversion price of the Convertible Bonds. For further information, please refer to the announcements of the Company dated 13 January 2022 and 11 March 2022.

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				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Revenue	**1,093,830**	1,029,966	1,436,037	1,810,797	1,865,247
Cost of sales/services	**(923,539)**	(849,160)	(1,075,822)	(1,305,351)	(1,389,195)
Gross profit	**170,291**	180,806	360,215	505,446	476,052
Other income and expenses, other gains and losses	**(134,772)**	23,997	(947,673)	(911,453)	(41,469)
Expected credit losses/impairment losses, net of reversal	**(18,919)**	(103,176)	(196,937)	(61,303)	4,819
Impairment losses on goodwill, tangible and intangible assets	**(379,103)**	(48,467)	(271,396)	–	–
Impairment losses on interests in joint ventures	**(21,232)**	(15,183)	–	–	–
Selling and distribution expenses	**(114,636)**	(42,357)	(125,759)	(108,862)	(128,600)
R&D expenditure	**(59,903)**	(53,992)	(51,327)	(48,935)	(46,180)
Administrative expenses	**(138,086)**	(197,320)	(343,317)	(386,376)	(442,566)
Finance costs	**(197,445)**	(206,821)	(285,991)	(245,815)	(128,428)
Share of results in associates	**(105)**	(1,345)	1,231	222	1,536
Share of results in joint ventures	**6,601**	10,856	(397,737)	(92,405)	(37,801)
Loss before tax	**(887,309)**	(453,002)	(2,258,691)	(1,349,481)	(342,637)
Taxation	**1,711**	6,090	1,491	(6,890)	42,766
Loss for the year from continuing operations	**(885,598)**	(446,912)	(2,257,200)	(1,356,371)	(299,871)
(Loss)/profit for the year from discontinued operations, net of tax	**(216,916)**	44,684	–	–	–
Loss for the year	**(1,102,514)**	(402,228)	(2,257,200)	(1,356,371)	(299,871)
Other comprehensive (expense)/income for the year, net of income tax	**(126,883)**	(99,754)	69,528	148,076	(176,570)
Total comprehensive expense for the year	**(1,229,397)**	(501,982)	(2,187,672)	(1,208,295)	(476,441)

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(968,233)**	(373,724)	(2,187,830)	(1,386,813)	(302,169)
Non-controlling interests	**(134,281)**	(28,504)	(69,370)	30,442	2,298
	(1,102,514)	(402,228)	(2,257,200)	(1,356,371)	(299,871)
Loss per Share# – Basic (RMB)	**(0.88)**	(0.37)	(2.18)	(1.41)	(0.33)
– Diluted (RMB)	**(0.88)**	(0.37)	(2.18)	(1.41)	(0.33)

\# The weighted average number of ordinary Shares for the purpose of calculating the basic loss per Share has been adjusted with consideration of the effect of the Share Consolidation which became effective on 20 August 2021.

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,013,994**	2,046,263	2,786,759	4,025,140	3,752,666
Current assets	**2,042,220**	2,408,962	3,025,834	5,774,672	5,603,953
Total assets	**3,056,214**	4,455,225	5,812,593	9,799,812	9,356,619
Current liabilities	**(3,281,057)**	(3,204,084)	(3,743,467)	(4,958,244)	(3,282,440)
Total assets less current liabilities	**(224,843)**	1,251,141	2,069,126	4,841,568	6,074,179
Non-current liabilities	**(563,322)**	(729,799)	(1,009,078)	(1,501,396)	(2,612,393)
Total (deficit in equity)/equity	**(788,165)**	521,342	1,060,048	3,340,172	3,461,786
Non-controlling interests	**70,579**	328,045	397,341	577,123	291,891
Owners of the Company	**(858,744)**	193,297	662,707	2,763,049	3,169,895

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:

"2021 Financial Year"	the financial year ended 31 December 2021
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Auditor"	the auditor of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"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 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

"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"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 International Finance"	First Capital International Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"FC Securities"	First Capital Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Fuqing Xishan"	Fuqing Xishan School* (福清西山學校)
"FVTPL"	fair value through profit or loss
"Group"	the Company and its subsidiaries
"High Court"	the High Court of Hong Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
"Implementation Regulations"	the Implementation Regulations of the Private Education Promotion Law of the People's Republic of China* (《中華人民共和國民辦教育促進法實施條例》) with effect from 1 September 2021
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons and not a connected person of the Company

"INED(s)"	the independent non-executive Director(s)
"IPO"	initial public offering
"Jiangxi Xishan"	Jiangxi Xishan School* (江西省西山學校)
"K-12"	from kindergarten through twelfth grade, including kindergarten, primary school, middle school and high school
"Latest Practicable Date"	19 April 2022, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Linksfield"	Linksfield CPA Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Consolidation"	the consolidation of every five issued and unissued shares of the Company of HK$0.02 each into one consolidated share of the Company of HK$0.10 each effective on 20 August 2021
"Share Option Scheme 2011"	the share option scheme adopted by the Company pursuant to the ordinary resolution of the Shareholders passed on 19 October 2011 and terminated on 9 June 2021

"Share Option Scheme 2021"	the share option scheme adopted by the Company pursuant to the ordinary resolution of the Shareholders passed on 9 June 2021
"Shareholder(s)"	the holder(s) of the Share(s)
"Share(s)"	(i) the ordinary share(s) of HK$0.02 each in the issued and unissued share capital of the Company prior to 20 August 2021, or (ii) the consolidated ordinary share(s) of HK$0.10 each in the issued and unissued share capital of the Company with effect from 20 August 2021, as the case may be
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Wealth Max"	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is a Shareholder and is wholly-owned by Dr. Wilson Sea, the Chairman and an executive Director
"Xishan Schools"	collectively, Fuqing Xishan, Xishan Vocational School, Jiangxi Xishan and Xishan Education Group* (西山教育集團)
"Xishan Vocational School"	Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校)
"Yinghua School"	Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)
"%"	per cent

* *For identification purpose only*

CFCG

中國首控集團有限公司

China First Capital Group Limited