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

2023

首控文化

The Core Cultural Concepts of CFCG


寬容
INCLUSIVE
原則
PRINCIPLE
相信
BELIEF
學習
LEARNING
溝通
COMMUNICATION
感恩
GRATITUDE

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 currently is mainly engaged in financial services business, education management and consultation business and automotive parts business. 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.

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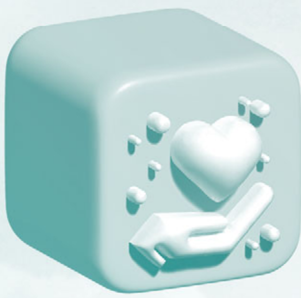


Corporate Information

THE BOARD

Executive Directors

Dr. Wilson SEA *(Co-Chairman^)*
Mr. ZHANG Li *(Co-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

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

^ re-designated with effect from 12 July 2023
# appointed with effect from 12 July 2023

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 913C, 9/F
Hong Kong Plaza
188 Connaught Road West
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK EXCHANGE STOCK CODE

1269

COMPANY WEBSITE

http://www.cfcg.com.hk

\+ with effect from 4 August 2023

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the 2023 Financial Year.

In 2023, with tremendous support from the Shareholders, customers, colleagues, and the society, the Group adhered to the diversified development strategy and drove the Group's sustainable development with the three major businesses of financial services, education management and consultation and automotive parts as the lead. Meanwhile, the Group actively optimised and improved its debt structure and financial position by negotiating with various creditors to explore alternatives for debt restructuring.

In 2023, Hong Kong continuously strengthened cooperation with China and promoted a series of reform measures, which enhanced Hong Kong's long-term competitiveness and attractiveness as an international financial centre. The Group paid high attention to market dynamics, kept abreast of the market development trends and strengthened the integration of resources in the financial industry chain by using multiple financial instruments and strategies comprehensively, in order to provide various entities with featured, differentiated and professional services, and to promote steady and sustainable development for each financial service business.

In 2023, the Group followed the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology in the new era, integrated the essence of eastern and western education, explored the localisation of international curriculum and the characterisation of local curriculum, and implemented curriculum integration and optimised the curriculum structure, so as to establish a new type of international education service platform. Through introducing quality education resources, enriching the curriculum structure and innovating the curriculum contents, improving the teaching quality assurance system and raising the level of teachers, the Group provided students with personalised and comprehensive international education services, and nurtured talents of new generation equipped with international vision and competitiveness.

In 2023, with the vision of "Where there are Cars, there is Cijan", the Group's automotive parts business, adhering to the principal operational thought of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management", exerted its existing advantages on brands and technologies to enhance the capacities of R&D of new products and the industrialisation of new technology, kept up with the trend of new energy vehicles and vehicle export, promoted the supplier qualification examination of automobile manufacturers and the progress of mass production of corresponding automotive parts, and actively developed new markets in China and abroad.

In the coming year, under a backdrop where opportunities and challenges coexist, the Group will adhere to business innovation and development, and explore new business areas and development opportunities while promoting the development of existing businesses. We wish to make progress along with our Shareholders, partners and colleagues, and open a new chapter together.

Wilson SEA
Co-Chairman and Executive Director
27 March 2024

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 currently is mainly engaged in (i) financial services business, (ii) education management and consultation business, and (iii) automotive parts business. 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. The Group is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and has been admitted by the SFC as a sponsor under the SFO. As such, (i) in addition to dealing in securities and providing margin financing to customers, it is also engaged in underwriting and placing of shares for listing applicants and listed companies; (ii) it can provide portfolios (such as stocks, bonds, discretionary managed accounts, and funds) management, investment consultation and investment advisory services to its clients; and (iii) it 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.

For the 2023 Financial Year, the Group acted as (i) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Sanergy Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2459); (ii) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Powerwin Tech Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2405); (iii) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Shenghui Cleanness Group Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2521); (iv) the joint bookrunner and the joint lead manager for the listing of MedSci Healthcare Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2415); (v) the joint bookrunner for the listing of Beijing Fourth Paradigm Technology Co., Ltd. (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 6682); and (vi) the joint lead manager for the listing of Persistence Resources Group Ltd (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2489).

The Group also serves as (i) the sole sponsor for the new listing application of Lesi Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2540); (ii) the independent financial adviser to the independent board committee of China Titans Energy Technology Group Co., Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2188) in relation to a mandatory conditional cash offer; (iii) the independent financial adviser for a connected transaction of Applied Development Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 519); (iv) the independent financial adviser for a continuing connected transaction of Tianjin Port Development Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 3382); and (v) the independent financial adviser for a continuing connected transaction of S-Enjoy Service Group Co., Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 1755).

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, with campuses locating in Beijing, Shanghai, Chongqing, Xi'an, Hangzhou, Wuhan and Zhengzhou.

For the 2023 Financial Year, the Group continued to build a new digital platform to categorise into headquarters, regions and schools for management at different levels by way of applying digital technology to teaching, teaching management and further education, which allowed operation supervision and teaching enhancement through scientific and effective methods. The Group actively explored the localisation of international curriculum and the characterisation of local curriculum, and established school-based curriculum that integrates R&D. At the same time, the Group continued to optimise the curriculum structure and placed emphasis on the development, selection and integration of curriculums to fully unleash the personality potential and creative thinking of students and enhance students' performance. Graduates were admitted to top-ranked universities in the United Kingdom, the United States, Canada and Australia. In order to fully enhance its teaching quality and management efficiency, the Group continued to optimise the composition of teachers, hired excellent subject teachers, formed a consultant team comprising specialists, strengthened the subject teams, vigorously launched a series of cross-campus teaching and research training under the theme of "Academic Co-creation", and improved the teaching quality assurance system with bilingual teachers as the core.

In terms of overseas study consultation services, the Group selected quality educational resources for cooperation, actively researched and developed specialised overseas study programmes and continuously upgraded its products of planning and guidance of further education, so as to provide students with a full range of services covering thinking patterns, academic background, interview tutoring, overseas study experience and other aspects.

Automotive Parts Business

In 2023, a series of measures were rolled out for the automobile industry in China, leading to steady growth of the automobile industry. According to the statistics of the China Association of Automobile Manufacturers, approximately 30,161,000 automobiles were produced and approximately 30,094,000 automobiles were sold in China in 2023, both hitting record high and representing a year-on-year increase of approximately 11.6% and approximately 12.0%, respectively. Among the above, for new energy vehicles, approximately 9,587,000 vehicles were produced and approximately 9,495,000 vehicles were sold (representing approximately 31.6% of the total automobile sales) in China in 2023. Meanwhile, the export business was growing rapidly. In 2023, automobile exports of China surpassed that of Japan for the first time and ranked first in the world.

Riding on the rapid growth of the automobile industry, the automotive parts business of the Group, adhering to the principal operational idea of "Developing the Market, Focusing on Quality, Improving the R&D, and Strengthening the Management (開發市場、狠抓質量、提升研發、強化管理)" and the core values of "Top Quality, Customer Satisfaction, Solidarity and Cooperation, Innovation and Learning, High Efficiency and Pragmatism, Honesty and Trustworthiness (品質第一、客戶滿意、團結合作、創新學習、高效務實、誠實守信)", kept up with market trends, deepened technology R&D, continued to improve product quality control and customer satisfaction, and while consolidating and optimising existing markets, actively expanded new markets, and strived to achieve the vision of "Where there are Cars, there is Cijan (哪裏有汽車,哪裏就有淅減)".

For the 2023 Financial Year, the Group continued to supply absorbers for automobiles made by automotive manufacturers such as SAIC Motor, Chery Automobile, Geely Auto and Changan Automobile. In March 2023, the Group was awarded the "Outstanding Innovation Award (傑出創新獎)" by SAIC Motor. In July 2023, after successively passing the business review, new supplier review, technology review, quality review, corporate social responsibility review and financial review by Stellantis Group (formed by the merger of two major automobile corporate groups, Groupe PSA and Fiat Chrysler Automobiles), the Group officially obtained the project assignment notice for CMPSouth platform from Stellantis Group.

Others

For the 2023 Financial Year, the Company actively optimised and improved its debt structure and financial position by negotiating with various creditors to explore alternatives for debt restructuring. On 6 June 2023, the Company entered into separate settlement agreements with ten creditors, pursuant to which the Company has conditionally agreed to allot and issue to the creditors and the creditors have conditionally agreed to subscribe for an aggregate of 125,340,000 consideration Shares at the subscription price of HK$0.10 per Share. The subscription amount payable by the creditors were satisfied by capitalising the respective indebted amount totaling HK$12,537,076 due from the Company. Such consideration Shares were issued and allotted to the respective creditors on 15 June 2023. For details, please refer to the announcements of the Company dated 6 June 2023 and 15 June 2023.

OUTLOOK

Financial Services Business

As an international financial centre and the global offshore RMB business hub, Hong Kong is not only able to share the benefits from the development of China, but also enjoys the advantages from the growth of the global economy. Hong Kong's status and role as the bridge of communication and contact between China and the international society will be further enhanced, providing strong support for maintaining the continuous prosperity and stability of the financial market of Hong Kong.

Looking forward, the Group will follow the market trend, seize the development opportunities, innovate the business models and actively explore new business opportunities to promote the robust development of its financial services business. Leveraging its diversified financial service licences and consummate financial service system and the brand awareness and market influence of its financial services business, the Group will enhance collaboration among its business units including investment banking, securities, asset management and research, proactively innovate according to customer needs, adhere to the strategies of differentiated and characteristic development, enrich product offerings and portfolios, and provide customers with diversified and customised professional financial services.

Education Management and Consultation Business

Knowledge changes fate, and education shapes the future. Education is the driving force for social development. The key element of competition of the economy is the competition of science and technology, which fundamentally 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, the Group will follow the education development pattern and seize the opportunities arising from the transformation in the mode of education and industrial ecology. It will be leveraging the brand and market influence of the PGA international curriculum, so as to establish a new type of international education service platform. Through taking the key dimensions of international talent cultivation as the starting point and by innovating the curriculum system, optimising the curriculum structure and strengthening cross-campus teaching and research with comprehensive integration of student personality development and academic planning, the Group will improve the quality of teaching and students' performance, and enhance students' comprehensive quality. Meanwhile, the Group will develop overseas study products with more customised and comprehensive options that cater to the target market, providing international education and study plans with higher values to meet the individual needs of different students at different stages according to the needs and characteristics of school campuses and students, and offer convenient access and one-stop services for students to pursue further education and overseas study.

Automotive Parts Business

The introduction of the policy of *Several Measures for Promoting Automobile Consumption* (《關於促進汽車消費的若干措施》) by 13 government departments including the National Development and Reform Commission in July 2023 has further unleashed the potential for automobile market consumption and the future development of the automobile and automotive parts industry is promising.

The Group will leverage its established brand and technology strengths, aim for "Top Quality and Customer Satisfaction", place emphasis on the development strategy of "Focuses on Process and Results", strengthen the R&D of core technologies and management of quality system in order to improve overall customer satisfaction. The Group will strengthen its market sensitivity according to the national industrial policy on the automobile industry, the development trend of the industry and the operation conditions of automobile manufacturers, and devote efforts to cultivating more competitive new products and new markets that meet customers' needs, and make key breakthroughs in the aftersales market, the international market and the rail transit market. The Group will commit itself to building first-class R&D centers by adhering to its technical management philosophy of "Utilisation, R&D and Reserve", so as to boost the reserve and market promotion and application of new technologies.

Others

In 2024, the Group will continue to optimise and improve its debt structure and financial position by negotiating with creditors to explore alternatives for debt restructuring. The Group will also continue to approach potential investors, hoping to introduce new capital and resources and to innovate thinking and business model. While promoting the development of existing businesses, it will also actively explore more business opportunities.

FINANCIAL REVIEW

Revenue

For the 2023 Financial Year, the overall revenue of the Group increased by approximately 52.8% to approximately RMB1,833.7 million from approximately RMB1,199.9 million for the 2022 Financial Year, of which revenue from automotive parts business increased by approximately 54.7% to approximately RMB1,743.2 million from approximately RMB1,127.0 million for the 2022 Financial Year, revenue from financial services business increased by approximately 61.2% to approximately RMB35.3 million from approximately RMB21.9 million for the 2022 Financial Year, and revenue from education management and consultation business increased by approximately 8.6% to approximately RMB55.3 million from approximately RMB50.9 million for the 2022 Financial Year. The increase in revenue was mainly due to the increase in sales of automotive parts business.

Cost of sales and services

For the 2023 Financial Year, the overall cost of sales and services of the Group increased by approximately 43.6% to approximately RMB1,432.6 million from approximately RMB997.8 million for the 2022 Financial Year, of which cost of sales from automotive parts business increased by approximately 44.7% to approximately RMB1,388.6 million from approximately RMB959.5 million for the 2022 Financial Year, cost of services from financial services business increased by approximately 281.3% to approximately RMB6.1 million from approximately RMB1.6 million for the 2022 Financial Year, and cost of services from education management and consultation business increased by approximately 3.3% to approximately RMB37.9 million from approximately RMB36.7 million for the 2022 Financial Year. The increase in cost of sales and services was mainly due to the increase in sales of automotive parts business.

Gross profit

For the 2023 Financial Year, the overall gross profit of the Group increased by approximately 98.5% to approximately RMB401.1 million from approximately RMB202.1 million for the 2022 Financial Year, of which gross profit from automotive parts business increased by approximately 111.7% to approximately RMB354.6 million from approximately RMB167.5 million for the 2022 Financial Year, gross profit from financial services business increased by approximately 43.1% to approximately RMB29.2 million from approximately RMB20.4 million for the 2022 Financial Year, and gross profit from education management and consultation business increased by approximately 21.8% to approximately RMB17.3 million from approximately RMB14.2 million for the 2022 Financial Year. The increase in gross profit was mainly due to the increase in sales and gross profit margin of automotive parts business.

Gross profit margin

For the 2023 Financial Year, the overall gross profit margin of the Group increased by approximately 5.1 percentage points to approximately 21.9% from approximately 16.8% for the 2022 Financial Year, of which gross profit margin of automotive parts business increased by approximately 5.4 percentage points to approximately 20.3% from approximately 14.9% for the 2022 Financial Year, gross profit margin of financial services business decreased by approximately 10.0 percentage point to approximately 82.7% from approximately 92.7% for the 2022 Financial Year, and gross profit margin of education management and consultation business increased by approximately 3.6 percentage points to approximately 31.5% from approximately 27.9% for the 2022 Financial Year.

Other income and expenses

For the 2023 Financial Year, the Group recorded other income of approximately RMB64.9 million, representing an increase of approximately RMB18.9 million from approximately RMB46.0 million for the 2022 Financial Year. Such income primarily represented government grants.

Other losses, net

For the 2023 Financial Year, the Group recorded net other losses of approximately RMB13.5 million, representing a decrease of approximately RMB185.8 million from approximately RMB199.3 million for the 2022 Financial Year. Such losses primarily represented the exchange loss arising from the depreciation of RMB.

Expected credit losses

The Group recognised the ECL 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 2023 Financial Year, the provision on ECL of the Group amounted to approximately RMB247.5 million, representing an increase of approximately RMB231.3 million from approximately RMB16.2 million for the 2022 Financial Year.

Selling and distribution expenses

For the 2023 Financial Year, the selling and distribution expenses of the Group increased by approximately 12.1% to approximately RMB62.0 million from approximately RMB55.3 million for the 2022 Financial Year. Such increase was mainly due to the corresponding increase in after-sale service expenses and other distribution expenses of the automotive parts business with the increase in sales.

R&D expenditure

For the 2023 Financial Year, the R&D expenditure of the Group increased by approximately 61.7% to approximately RMB104.3 million from approximately RMB64.5 million for the 2022 Financial Year. Such increase was mainly due to the increase in expenses in the R&D centres and projects of automotive parts business.

Administrative expenses

For the 2023 Financial Year, the administrative expenses of the Group increased by approximately 13.2% to approximately RMB154.8 million from approximately RMB136.8 million for the 2022 Financial Year. Such increase was mainly due to the increase in remuneration expenses of automotive parts business and financial service business.

Finance costs

For the 2023 Financial Year, the finance costs of the Group decreased by approximately 18.8% to approximately RMB161.1 million from approximately RMB198.3 million for the 2022 Financial Year. Such decrease was mainly due to the decline in interest rate.

Taxation

For the 2023 Financial Year, the Group recorded income tax credit of approximately RMB0.2 million, representing a decrease of approximately RMB0.1 million as compared with the income tax credit of approximately RMB0.3 million for the 2022 Financial Year.

Loss for the year

For the 2023 Financial Year, the Group recorded a loss of approximately RMB366.0 million, representing a decrease of approximately 12.8% as compared with a loss of approximately RMB419.6 million for the 2022 Financial Year. Such loss was mainly due to the fact that the increase in revenue and gross profit had been offset by the increase in R&D expenditure and the increase in provision on ECL.

Loss per Share

For the 2023 Financial Year, the basic and diluted loss per Share of the Group amounted to approximately RMB0.19, while the basic and diluted loss per Share amounted to approximately RMB0.28 for the 2022 Financial Year.

WORKING CAPITAL, FINANCIAL RESOURCES AND BORROWINGS

Net current liabilities

The Group adopts prudent financial policies, and closely monitors its financial positions, in order to grasp any favourable business opportunities and look ahead future challenges. As at 31 December 2023, the net current liabilities of the Group amounted to approximately RMB1,809.7 million, representing an increase of approximately 40.1% as compared with that of approximately RMB1,291.5 million as at 31 December 2022. Such increase was mainly due to the increase in borrowings.

Financial position and borrowings

As at 31 December 2023, the bank balances and cash of the Group are mostly denominated in RMB or HK$ and amounted to approximately RMB171.6 million, representing an increase of approximately 6.3% as compared with that of approximately RMB161.4 million as at 31 December 2022.

The borrowings of the Group are denominated in RMB or HK$. The Group regularly reviews and monitors the borrowings level. As at 31 December 2023, the total borrowings of the Group amounted to approximately RMB1,689.2 million, representing an increase of approximately 18.9% as compared with that of approximately RMB1,421.3 million as at 31 December 2022. Out of the total borrowings, (i) borrowings due within one year amounted to approximately RMB1,307.7 million as at 31 December 2023, representing an increase of approximately 53.0% as compared with that of approximately RMB854.7 million as at 31 December 2022; (ii) borrowings due over one year but within two years amounted to approximately RMB242.7 million as at 31 December 2023, representing a decrease of approximately 26.2% as compared with that of approximately RMB328.9 million as at 31 December 2022; (iii) borrowings due over two years but within five years amounted to approximately RMB138.8 million as at 31 December 2023, representing a decrease of approximately 38.9% as compared with that of approximately RMB227.2 million as at 31 December 2022; and (iv) borrowings due over five years amounted to nil as at 31 December 2023 while that of approximately RMB10.5 million was recorded as at 31 December 2022.

As at 31 December 2023, approximately RMB1,326.9 million (31 December 2022: approximately RMB1,183.4 million) of the total borrowings of the Group were subject to fixed interest rates.

As at 31 December 2023, the gearing ratio of the Group, calculated as the percentage of total borrowings and bills payable divided by total assets, was approximately 71.5% (31 December 2022: approximately 68.0%). Such increase was mainly due to the increase in borrowings.

Working capital

The Group regularly reviews and monitors the inventory level. As at 31 December 2023, the inventories of the Group amounted to approximately RMB146.3 million, representing a decrease of approximately 0.5% as compared with that of approximately RMB147.1 million as at 31 December 2022.

The Group regularly reviews and monitors the level of trade receivables. As at 31 December 2023, the trade receivables of the Group amounted to approximately RMB693.2 million, representing an increase of approximately 54.9% as compared with that of approximately RMB447.5 million as at 31 December 2022. Such increase was mainly due to the increase in sales of automotive parts business.

The Group regularly reviews and monitors the level of trade payables. As at 31 December 2023, the trade payables of the Group amounted to approximately RMB694.9 million, representing an increase of approximately 13.4% as compared with that of approximately RMB613.0 million as at 31 December 2022. 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 2023, the fair value of such investments was approximately RMB241.8 million (31 December 2022: approximately RMB293.9 million), which was equivalent to approximately 8.6% (31 December 2022: approximately 10.7%) of the total assets of the Group as at 31 December 2023. For the 2023 Financial Year, the fair value changes of financial assets measured at FVTPL of the Group recorded a loss of approximately RMB33.1 million (2022: approximately RMB23.4 million).

The principal investment objective of the Group is to explore capital appreciation with a view to enhancing the application of the financial resources of the Group 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 and geopolitical conditions. The performance of the securities investments and other investments of the Group 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 2023 Financial Year, the capital expenditures of the Group amounted to approximately RMB20.3 million (2022: approximately RMB20.3 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 2023, the capital commitments of the Group in respect of additions to property, plant and equipment amounted to approximately RMB29.4 million (31 December 2022: approximately RMB28.2 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

PLEDGE OF ASSETS

As at 31 December 2023, the financial assets measured at FVTPL of the Group with a carrying amount of approximately RMB113.5 million and bills receivables of the Group with a carrying amount of approximately RMB91.7 million (31 December 2022: financial assets measured at FVTPL of approximately RMB201.3 million) have been pledged to acquire borrowings and convertible bonds for the Group.

As at 31 December 2023, the restricted bank balances of the Group with a carrying amount of approximately RMB245.1 million (31 December 2022: approximately RMB248.7 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 2023, the Group had 1,938 employees (31 December 2022: 1,752 employees). For the 2023 Financial Year, the total remuneration and welfare benefits expenses of the Group amounted to approximately RMB221.3 million (2022: approximately RMB180.3 million). Based on the remuneration policy of the Group, 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 and/or awarded shares 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 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$. 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 2023 Financial Year, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

For the 2023 Financial Year, the Company had not carried out any equity fund raising activities involving the utilisation of the general mandate granted at the AGM held on 23 June 2022 and the general mandate granted at the AGM held on 9 June 2023.

ISSUE OF NEW SHARES FOR DEBT CAPITALISATION

On 6 June 2023, the Company entered into separate settlement agreements with 10 creditors, pursuant to which the Company conditionally agreed to allot and issue to the creditors and the creditors conditionally agreed to subscribe for an aggregate of 125,340,000 consideration Shares at the subscription price of HK$0.10 per consideration Share. The subscription amount payable by the creditors under the settlement agreements were satisfied by capitalising the respective indebted amount totalling HK$12,537,076 due from the Company. Completion of each of the settlement agreements took place on 15 June 2023. The consideration Shares represent approximately 7.28% of the existing issued share capital of the Company as at 6 June 2023 and approximately 6.78% of the issued share capital of the Company as enlarged by the allotment and issue of the consideration Shares as at 15 June 2023. For details, please refer to the announcements of the Company dated 6 June 2023 and 15 June 2023.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Wilson Sea

Dr. Wilson Sea ("**Dr. Sea**"), aged 60, was appointed as the chairman of the Company and a non-executive Director on 27 April 2011, re-designated as the chairman of the Company and an executive Director on 1 January 2015, and re-designated as a Co-Chairman (remaining to be an executive Director) on 12 July 2023. 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 sole shareholder of Wealth Max, a Shareholder. As at the Latest Practicable Date, Dr. Sea is deemed to be interested in 163,765,800 Shares, representing approximately 8.86% of the total issued Shares. Dr. Sea is the brother-in-law of Dr. Wang Hui, the chief financial officer of the Company.

Mr. Zhang Li

Mr. Zhang Li ("**Mr. Zhang**"), aged 51, was appointed as an executive Director and a Co-Chairman on 12 July 2023, and is primarily responsible for the management and development of the Group's new business.

Mr. Zhang has extensive experience in finance and capital markets. He has been engaged in the investment and management business in the financial market for more than 20 years, focusing on securities investment and investment banking. Prior to joining the Group, Mr. Zhang served as (i) an executive director and a co-chairman from June 2016 to May 2021 of Up Energy Development Group Limited (delisted from the Stock Exchange, previous stock code: 307); (ii) a non-executive director from October 2019 to November 2019, and re-designated as an executive director from November 2019 to February 2023 of Madison Holdings Group Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8057); and (iii) a non-executive director from June 2021 to September 2022 of Kelfred Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1134).

Mr. Zhang obtained a Bachelor's degree in marketing from Northwest University of Political Science and Law (西北政法大學) ("**NWUPL**") (previously Northwest School of Political Science and Law (西北政法學院)) in 1998. He has been engaged as (i) the dean of the Guangdong-Hong Kong-Macao Greater Bay Branch of the Corporate Compliance Research Institute of NWUPL (西北政法大學企業合規研究院粵港澳大灣區分院) since July 2022; (ii) the dean of the Guangdong-Hong Kong-Macao Greater Bay Branch of the Economics and Law Research Institute of NWUPL (西北政法大學經濟與法研究院粵港澳大灣區分院) since August 2022; and (iii) a visiting professor of school of economics of NWUPL since August 2022.

Mr. Zhao Zhijun

Mr. Zhao Zhijun ("**Mr. Zhao**"), aged 49, was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011, and 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 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 54, 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 59, was appointed as an INED on 19 October 2011. Mr. Chu has over 30 years of experience in corporate finance, audit, accounting and taxation.

Mr. Chu was an executive director of Momentum Financial Holdings Limited (stock code: 1152) from August 2021 to March 2022, the shares of which are listed on the Main Board of the Stock Exchange. Since 2020, Mr. Chu was or has also been an independent non-executive director of the following companies, the shares of which are 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): from October 2021 to October 2022, (h) Hyfusin Group Holdings Limited (stock code: 8512), since December 2021; and (i) Silk Road Logistics Holdings Limited (stock code: 988), since September 2023.

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

Dr. Du Xiaotang

Dr. Du Xiaotang ("**Dr. Du**"), aged 50, 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. From September 2013 to December 2020, Dr. Du was a department managing director of China Everbright Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 165). He has been acting as the general manager of Shanghai GenLight Capital Co., Ltd.* (上海光朴創業投管理有限公司) (formerly known as Shanghai Everbright Swift Equity Investment Management Co., Ltd.* (上海光控浦燕股權投資有限公司)) since January 2021. He is also currently (a) an executive director and the assistant chief executive officer of Kinergy Corporation Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302), since 1 October 2016; and (b) an independent non-executive director of China Tianrui Group Cement Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1252), since 11 June 2014.

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 60, 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 (stock code: BN2), and an independent non-executive director of Cosmosteel Holdings Limited (stock code: B9X), the shares of which are listed on Singapore Exchange Limited.

Mr. Loo had also served as a board member of several companies, the shares of which are 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), the shares of all of which are listed on Singapore Exchange Limited; and (b) as a director of Grandblue Environment Co., Ltd.* (瀚藍環境股份有限公司) (stock code: 600323), the shares of which are listed on Shanghai Stock 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 51, 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 Group, 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 45, 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 49, 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 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 Main Board of 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.

Ms. Liu Chang

Ms. Liu Chang ("**Ms. Liu**"), aged 43, was appointed as the chief operating officer of the Company on 25 February 2019, and re-designated as the deputy chief executive officer of the Company on 12 July 2023. 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 2023 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 currently is mainly engaged in financial services business, education management and consultation business and automotive parts business. 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 2023 are set out in the section headed "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 section headed "Corporate Governance Report" of this annual report.

RESULTS

The results of the Group for the 2023 Financial Year are set out in the section headed "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 section headed "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 2023 Financial Year (2022: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the 2023 Financial Year, sales to the Group's five largest customers accounted for approximately 40.7% of the total revenue of the Group (2022: approximately 33.8%), of which sales to the largest customer accounted for approximately 16.9% of the total revenue of the Group (2022: approximately 14.5%).

For the 2023 Financial Year, purchases from the Group's five largest suppliers accounted for approximately 29.2% of the total purchases of the Group (2022: approximately 38.9%), of which purchases from the largest supplier accounted for approximately 7.7% of the total purchases of the Group (2022: approximately 10.3%).

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

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2023, the Group had property, plant and equipment at carrying value of approximately RMB480.0 million (31 December 2022: approximately RMB485.9 million). Details are set out in the section headed "Notes to the Consolidated Financial Statements" of this annual report.

BORROWINGS

As at 31 December 2023, the Group's total borrowings amounted to approximately RMB1,689.2 million (31 December 2022: approximately RMB1,421.3 million). Details are set out in the section headed "Notes to the Consolidated Financial Statements" of this annual report.

CAPITALISED INTERESTS

For the 2023 Financial Year, the Group did not capitalise any interest expenses related to properties under construction development (2022: Nil).

DONATIONS

For the 2023 Financial Year, the Group made charitable and other donations totalling RMB224,000 (2022: RMB320,000).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the 2023 Financial Year are set out in the section headed "Notes to the Consolidated Financial Statements" of this annual report.

RESERVES

Details of the movements in the reserves of the Group for the 2023 Financial Year are set out in the section headed "Consolidated Statement of Changes of Equity" of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of the Company was nil (31 December 2022: 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 2023 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 SCHEMES

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.

On 5 July 2022, the Board resolved to adopt the Share Award Scheme.

The number of shares that may be issued in respect of options and awards under all schemes of the Company during the 2023 Financial Year (being 100,537,840 Shares under the Share Option Scheme 2021 and 145,157,000 Shares under the Share Award Scheme) divided by the weighted average number of Shares of the relevant class in issue for the 2023 Financial Year (being 1,791,339,452 Shares) is approximately 13.72%.

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 directors and employees of the Company or any of its subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with these companies) and any directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company. 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, representing approximately 5.44% of the total number of Shares in issue as at the date of this annual report.

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.

   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 7 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

As at 1 January 2023 and 31 December 2023, 100,537,840 options could be granted under the Share Option Scheme 2021. For the 2023 Financial Year, no share options have been granted or agreed to be granted under the Share Option Scheme 2021 by the Company. As at 31 December 2023, 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	Vesting period	Exercise period	Exercise price per Share	Outstanding as at 1 January 2023	Granted during the 2023 Financial Year	Exercised during the 2023 Financial Year	Lapsed/ cancelled during the 2023 Financial Year	Outstanding as at 31 December 2023
Employee	16 June 2020	Fully vested immediately	16 June 2020 to 15 June 2030	HK$1.50	10,000,000	–	–	–	10,000,000

Note: 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. 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.

C. Summary of the Share Award Scheme

1. Purpose

The purpose of the Share Award Scheme is (i) to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Participants

The Board may, from time to time, at its absolute discretion select selected person(s) (the"**Selected Person(s)**") from eligible person(s) (the"**Eligible Person(s)**") ,who is any individual being an employee (including without limitation any executive Director) or any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group, or any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company at any time between 5 July 2022 and 4 July 2032 or such date of early termination as determined by the Board (whichever the earlier), for participation in the Share Award Scheme.

3. Scheme Limit

The maximum number of Shares which may be awarded under the Share Award Scheme was 145,157,000 Shares, representing approximately 7.85% of the total number of Shares in issue as at the date of this annual report.

The maximum number of Shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

4. Award of Awarded Shares

Subject to the rules of the Share Award Scheme, the Board may grant such number of awarded shares to any Selected Person at a consideration of HK$1.0 or at a consideration determined by the Board with reference to the closing price of the Shares traded on the Stock Exchange and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

5. Vesting and Lapse

Subject to the rules of the Share Award Scheme, and the fulfilment of all vesting condition(s) and/or performance target(s) to the vesting of awarded shares on such Selected Person as specified in the Share Award Scheme and the grant notice, the respective awarded shares held by the trustee on behalf of the Selected Person shall vest in such Selected Person in accordance with the vesting schedule (if any) as set out in the grant notice.

Unless otherwise waived by the Board, in the event that the vesting condition(s) specified in the grant notice are not fully satisfied prior to or on the relevant vesting date, the award of awarded shares in respect of the relevant vesting date shall lapse.

In the event that prior to or on the vesting date, being a minimum of 12 months from the date of grant (or a shorter period to be approved by the Remuneration Committee), a Selected Person is found to be an excluded person or is deemed to cease to be an Eligible Person, the relevant award made to such Selected Person shall automatically lapse forthwith and the relevant awarded shares shall not vest on the relevant vesting date, unless the Board determines otherwise.

6. **Duration and Termination**

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date of such scheme. The remaining life of the Share Award Scheme is approximately 8 years and 3 months as at the date of this annual report.

D. Awarded Shares granted by the Company

As at 31 December 2023, 145,157,000 shares could be awarded under the Share Award Scheme. For the 2023 Financial Year, no Awarded Shares were granted or agreed to be granted under the Share Award Scheme by the Company. As at 31 December 2023, no awarded shares remained unvested.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the 2023 Financial Year and up to the Latest Practicable Date, the Company have 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 exemption or relief from taxation available to the Shareholders by reason of their holdings of the Shares.

DIRECTORS

The Directors for the 2023 Financial Year and up to the date of this annual report are:

Executive Directors

Dr. Wilson SEA *(Co-Chairman (re-designated with effect from 12 July 2023))*
Mr. ZHANG Li *(Co-Chairman) (appointed with effect from 12 July 2023)*
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

CHANGE OF BOARD COMPOSITION AND DIRECTORS' INFORMATION

For the 2023 Financial Year and up to the date of this annual report, save as disclosed below, there have been no other changes regarding the Directors and their information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

As disclosed in the announcement of the Company dated 12 July 2023, Mr. Zhang Li was appointed as an executive Director and a Co-Chairman, and Dr. Wilson Sea was re-designated from the chairman of the Company to a Co-Chairman on 12 July 2023.

Mr. Chu King Wang, Peleus, an INED, was appointed as an independent non-executive director of Silk Road Logistics Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 988) on 11 September 2023.

RE-ELECTION OF DIRECTORS

According to Article 83(3) of the Articles of Association, 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. Mr. Zhang Li, an executive Director, will retire and, being eligible, offer himself for re-election at the forthcoming AGM.

According to Article 84(1) of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but 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. Dr. Zhu Huanqiang, an executive Director and Dr. Du Xiaotang, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 9 June 2023 and both were re-elected. Mr. Zhao Zhijun, an executive Director, and Mr. Loo Cheng Guan, 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 section headed "Profiles of Directors and Senior Management" of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs, namely 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 2023, 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	163,765,800	8.86%

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 2023, 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 2023 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 2023, 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[10]
Wealth Max[1]	Beneficial owner	163,765,800[3]	8.86%
Wang Lily[2]	Interest of spouse	163,765,800[3]	8.86%
Chuang Yue[4]	Beneficial owner	133,340,000	7.215%
	Person having a security interest in shares	133,340,000	7.215%
		266,680,000[5]	14.43%
Shenmane.D Co., Limited[4]	Interest of controlled corporation	266,680,000[5]	14.43%
Golden Cloud Co., Limited[4]	Interest of controlled corporation	266,680,000[5]	14.43%
Liu Kun[4]	Interest of controlled corporation	266,680,000[5]	14.43%
Champion Sense[6]	Beneficial owner	3,470,744,681	187.81%
	Person having a security interest in shares	385,999,574	20.89%
		3,856,744,255[7]	208.70%
Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司) ("**Huarong Huaqiao**")[6]	Interest of controlled corporation	3,856,744,255[7]	208.70%
China Huarong[6]	Interest of controlled corporation	3,856,744,255[7]	208.70%
Principal Global Investment Limited ("**Principal Global**")[8]	Beneficial owner	3,723,404,254[9]	201.48%
Guo Ce[8]	Interest of controlled corporation	3,723,404,254[9]	201.48%

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. As at 31 December 2023, (i) 133,340,000 Shares were held by Chuang Yue; and (ii) 133,340,000 Shares held by Wealth Max have been charged in favour of Chuang Yue.

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

6. As at 31 December 2023, (i) Champion Sense held the Convertible Bonds in the principal amount of HK$652,500,000, of which upon full exercise of conversion rights of the Convertible Bonds, 3,470,744,681 Shares will be issued; (ii) Convertible Bonds in the principal amount of HK$47,500,000 held by Principal Global have been charged in favour of Champion Sense, of which upon full exercise of conversion rights of the Convertible Bonds, 252,659,574 Shares will be issued; and (iii)133,340,000 Shares held by Chuang Yue have been charged in favour of 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. Thus, Huarong Huaqiao and China Huarong are deemed to be interested in all the interest held by Champion Sense under the SFO.

7. The interests of Champion Sense, Huarong Huaqiao and China Huarong related to the same parcel of Shares.

8. As at 31 December 2023, (i) Principal Global held the Convertible Bonds in the principal amount of HK$47,500,000, of which upon full exercise of conversion rights of the Convertible Bonds, 252,659,574 Shares will be issued; and (ii) pursuant to the convertible bonds purchase agreement entered into between Principal Global and Champion Sense on 13 January 2022, Convertible Bonds in the principal amount of HK$652,500,000 held by Champion Sense will be sold to Principal Global, of which upon full exercise of conversion rights of the Convertible Bonds, 3,470,744,681 Shares will be issued.

   Principal Global is owned as to 43% by Mr. Guo Ce. Thus, Mr. Guo Ce is deemed to be interested in all the interests held by Principal Global under the SFO.

9. The interests of Principal Global and Mr. Guo Ce related to the same parcel of Shares.

10. Based on 1,848,000,000 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, 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.

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 2023 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

For the 2023 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. There is no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries for the 2023 Financial Year.

CONNECTED TRANSACTION

For the 2023 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 2023 Financial Year is set out in the section headed "Notes to the Consolidated Financial Statements" of this annual report.

REMUNERATION POLICY

As at 31 December 2023, the Group had 1,938 employees (31 December 2022: 1,752 employees). For the 2023 Financial Year, the Group's total remuneration and welfare benefits expenses amounted to approximately RMB221.3 million (2022: approximately RMB180.3 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 and/or awarded shares 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 2023 Financial Year by remuneration band is set out below:

Remuneration band (HK$'000)	**Number of individuals**
0 to 500	2
501 to 1,000	4
1,001 to 1,500	1
1,501 to 2,000	0
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 2023 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 RMB23.7million (2022: approximately RMB17.5 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 2023 Financial Year by the Group.

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. Further information of the environmental policies and performance are detailed in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the 2023 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. There was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT LEGAL PROCEEDINGS

For the 2023 Financial Year, 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 16 August 2023, a winding-up petition (the "**Petition I**") was presented by an alleged bondholder of bonds of the Company in a principal amount of HK$5,500,000 (the "**Bonds I**") to the High Court for the winding up of the Company. The Petition I is related to the outstanding principal of Bonds I and the accrued interest. The Petition I was withdrawn on 20 December 2023. For details, please refer to the announcements of the Company dated 18 August 2023, 23 August 2023, 5 September 2023, 25 October 2023, 22 November 2023 and 20 December 2023.

On 20 December 2023, a new winding-up petition (the "**Petition II**") was presented by another alleged bondholder of bonds of the Company in a principal amount of HK$10,000,000 (the "**Bonds II**") to the High Court for the winding up of the Company. The Petition II is related to the outstanding principal of Bonds II and the accrued interest. On 9 April 2024, the said petitioner and the Company made a joint application to the court for withdrawal of the Petition II. On the same day, a supporting creditor of the Petition II made an application to the court to substitute the petitioner of the Petition II (the "**Substitution Application**"). As at the Latest Practicable Date, both the hearing of the Petition II and the Substitution Application were adjourned to 3 June 2024. For details, please refer to the announcements of the Company dated 20 December 2023, 28 February 2024, 10 April 2024 and 18 April 2024.

AUDITOR

Linksfield is the Auditor. Linksfield has audited the consolidated financial statements of the Group for the 2023 Financial Year and it does not express an opinion on such consolidated financial statements. For further information, please refer to the section headed "Independent Auditor's Report" of this annual report.

A resolution to re-appoint Linksfield as the Auditor was approved by the Shareholders at the AGM held on 9 June 2023. 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 2023 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 Friday, 7 June 2024. 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 Tuesday, 4 June 2024 to Friday, 7 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2024, for registration.

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

The annual report of the Company for the 2023 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.

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
Co-Chairman and Executive Director

Hong Kong
27 March 2024

Corporate Governance Report

The Board is committed to promoting 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 2023 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 C1 (formerly known as Appendix 14) to the Listing Rules so as to enhance the corporate governance standard of the Company. 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 2023 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 2023 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 2023 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. 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 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, the 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.

Dr. Zhu Huanqiang, an executive Director, and Dr. Du Xiaotang, an INED, retired and, being eligible, offered themselves for re-election at the AGM held on 9 June 2023 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 C3 (formerly known as 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 2023 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 2023 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 *(Co-Chairman)*		C		C	C
Mr. ZHANG Li *(Co-Chairman)*					
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 section headed "Profiles of Directors and Senior Management" of this annual report and are published on the website of the Company. The number and nature of offices held by Directors in other public companies or organisations and other significant commitments, are set out in the profiles of Directors. 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 2023 Financial Year, the Company provided training material to all the Directors (being Dr. Wilson Sea, Mr. Zhang Li, 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. Mr. Zhang Li, who was appointed as an executive Director with effect from 12 July 2023, has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

For the 2023 Financial Year, the Board also (i) reviewed and monitored the Company's policies and practises on corporate governance and made recommendations; (ii) reviewed and monitored the Company's policies and practises on internal control and risk management; (iii) reviewed and monitored the training and continuous professional development of the Directors and senior management of the Company; (iv) reviewed and monitored the implementation and effectiveness of policy on Board diversity and the mechanism for the Directors to achieve independent views and opinions; (v) reviewed and monitored the implementation and effectiveness of Shareholders' communication policy; (vi) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (vii) reviewed and monitored the code of conduct applicable to the Directors and employees; and (viii) reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

Board Meetings

The Board meets at least four times 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 Co-Chairmen. 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.

Directors are provided with complete, adequate and timely information to allow them 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 Audit Committee comprises three INEDs, namely 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 2023 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 together with relevant announcements and reports for the 2023 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 2023 Financial Year, the Auditor provided annual audit service and did not provide any non-audit services. The total fees paid/payable in respect of the audit service amounted to approximately RMB2.0 million.

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 Nomination Committee comprises an executive Director, Dr. Wilson Sea, and two INEDs, namely 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 and selecting individuals suitably qualified to become members and 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 2023 Financial Year, one meeting of the Nomination Committee were held. The Nomination Committee has reviewed the nomination process of individuals for directorship after considering different criteria including appropriate professional knowledge and industry experience and the nomination procedures in general. The Nomination Committee has also assessed the independence of all the INEDs, namely 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 Remuneration Committee comprises an executive Director, Mr. Zhao Zhijun, and two INEDs, namely Dr. Du Xiaotang 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 packages for the Directors and senior management of the Company; (ii) ensuring that no Directors or any of their associates are involved in deciding that Director's own remuneration; and (iii) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee holds a meeting at least once a year. For the 2023 Financial Year, one meeting of the Remuneration Committee were held. The Remuneration Committee has reviewed and determined the policy and structure of remuneration for the executive Directors and senior management of the Company, assessed their performance and reviewed and/or approved terms of executive directors' service contracts and matters relating to share schemes under Chapter 17 of the Listing Rules. 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 section headed "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 Strategy Committee comprises three executive Directors, namely Dr. Wilson Sea, Mr. Zhao Zhijun and Dr. Zhu Huanqiang, and an INED, 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 2023 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 Risk Management Committee comprises two executive Directors, namely Dr. Wilson Sea and Dr. Zhu Huanqiang, and an INED, 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, ESG strategies and giving directions where appropriate.

The Risk Management Committee holds a meeting at least once a year. For the 2023 Financial Year, two meetings of the Risk Management Committee were held. The Risk Management Committee has reviewed the policies, guidelines and effectiveness of the work on risk management, internal control systems and ESG 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 of the Company and INEDs meetings and the general meetings for the 2023 Financial Year are set out in the following table:

	Meetings attended/Meetings held							
Directors	Board meeting(s)	Audit Committee meeting(s)	Nomination Committee meeting(s)	Remuneration Committee meeting(s)	Strategy Committee meeting(s)	Risk Management Committee meeting(s)	Chairmen and INEDs meeting(s)	General meeting(s)
Executive Directors								
Dr. Wilson SEA *(Co-Chairman)*	5/5	N/A	1/1	N/A	1/1	2/2	1/1	1/1
Mr. ZHANG Li *(Co-Chairman)* *(appointed with effect from 12 July 2023)*	2/2	N/A	N/A	N/A	N/A	N/A	1/1	N/A
Mr. ZHAO Zhijun *(Co-CEO)*	5/5	N/A	N/A	1/1	1/1	N/A	N/A	1/1
Dr. ZHU Huanqiang *(Co-CEO)*	5/5	N/A	N/A	N/A	1/1	2/2	N/A	1/1
Independent Non-Executive Directors								
Mr. CHU Kin Wang, Peleus	5/5	3/3	1/1	1/1	N/A	2/2	1/1	1/1
Dr. DU Xiaotang	5/5	3/3	N/A	1/1	N/A	N/A	1/1	1/1
Mr. LOO Cheng Guan	5/5	3/3	1/1	N/A	1/1	N/A	1/1	1/1

CO-CHAIRMEN AND CO-CHIEF EXECUTIVE OFFICERS

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

The Board is led by the Co-Chairmen, Dr. Wilson Sea and Mr. Zhang Li. They are 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 Co-Chairmen are 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 Co-Chairmen at least annually hold meetings with the INEDs without the presence of other Directors to promote the effective contribution of the INEDs in particular and ensure constructive relations between the executive and independent 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

The Company has appointed Mr. Chan Kwok Kee, Andy as the Company Secretary and authorised representative of the Company, 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 2023 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 review the Board composition from time to time taking into account specific needs for the Group's business. The Company is committed to improving the diversity of the Board based on its needs and as and when suitable candidates are identified. The Board will introduce one or more female members by 31 December 2024. There are currently at least two female members among the senior management of the Company. Going forward, the Company will strive to achieve gender balance of the Board in the long run through certain measures to be implemented by the Nomination Committee in accordance with the Company's board diversity policy and nomination policy. To further ensure gender diversity of the Board in the long run, the Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become members of the Board, which will be reviewed by the Nomination Committee periodically in order to develop a pipeline of potential successors to the Board to promote gender diversity of our Board.

As at 31 December 2023, female members accounted for approximately 32.2% 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 2023 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 section headed "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.

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 for the 2023 Financial Year, 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 ESG 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 ESG 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 ESG 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 Unit 913C, 9/F, Hong Kong Plaza, 188 Connaught Road West, 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Unit 913C, 9/F, Hong Kong Plaza, 188 Connaught Road West, 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 Co-Chairmen) 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.

Other than the communication provided above, when necessary and appropriate, the Company would arrange for the management to meet with Shareholders and stakeholders who wish to seek a better understanding on the Group's business operations. Through the engagement in such meetings, the management is able to solicit and understand their views and feedback which should provide valuable information to the Board.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in the 2023 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.

ASSESSMENT OF UNCERTAINTIES RELATING TO GOING CONCERN

Multiple Uncertainties Relating to Going Concern

For the 2023 Financial Year, the Group reported a loss attributable to owners of the Company of approximately RMB347 million for the year ended 31 December 2023. As at 31 December 2023, the Group had accumulated losses and deficit in equity of approximately RMB1,617 million and approximately RMB1,418 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,810 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,648 million, of which the total current borrowing and convertible bonds amounted to approximately RMB2,266 million, while its bank balances and cash amounted to approximately RMB172 million only. In addition, as at 31 December 2023, the total outstanding principals and accrued interests of borrowings and convertible bonds amounted to approximately RMB1,529 million were in default due to late or overdue payment and were classified as current liabilities, of which a winding-up petition was presented by a debenture holder to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal and the accrued interests of the debenture in an aggregate amount of approximately HK$13 million (equivalent to approximately RMB11 million) and was awaiting court hearing.

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.

The Auditor's Opinion

The Auditor does not express an opinion on the consolidated financial statements of the Group for the 2023 Financial Year (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 the Auditor 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 section headed "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 2024 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 2024, the Disclaimer of Opinion would be removed for the year ending 31 December 2024, given that there is no adverse change of the financial position, operations and investments of the Group.

The Company's Position, View and Assessment on the Disclaimer of Opinion

The Board noted that the consolidated financial statements of the Company for the 2023 Financial Year was qualified on the basis for Disclaimer of Opinion essentially due to concern of the Auditor on the going concern of the Group due to multiple uncertainties, which are based on factual description in nature.

The Disclaimer of Opinion has no actual impact on the financial position of the Company. However, if the Group fails to achieve the plans and measures as stated below, the Group 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 assets of the Group 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 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 Convertible Bonds amounted to approximately RMB959 million were due for repayment on 15 May 2023. The Group has been actively negotiating with the holders of the Convertible Bonds (the "**Holders**") for the extension of the repayment date and to introduce debt capitalisation plans;

(ii) The Group has been actively negotiating with lenders of borrowings amounted to approximately RMB1,308 million which were overdue or will be due within twelve months from the date of the statement of financial position, for the renewal, extension of repayment, and/or to introduce debt capitalisation plans;

(iii) The Group has been actively negotiating with potential investors for introduce new capital and business opportunities with strong profitability and good development prospects to improve its cash flow position;

(iv) The Group has been actively seeking for additional sources of financing, including banks borrowings, placement of shares and etc.;

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

(vi) The Group continues to strengthen its operation and management for each business unit to improve operational efficiency and implement cost control measures to improve its cash flow position.

The Directors have reviewed the Group's cash flow projections prepared by the management of the Group. The cash flow projections cover a period of not less than twelve months from 31 December 2023. 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the use of going concern basis of the consolidated financial statements depends on the outcome of these measures, including (i) the successful negotiations with the Holders for the extension of the repayment date and/or to introduce debt capitalisation plans; (ii) the successful negotiations with lenders of borrowings which were overdue or will be due within twelve months from the date of the statement of financial position for the renewal, extension of the repayment date and/or to introduce debt capitalisation plans, including the principals and interests; (iii) the successful capital injection from new investors; (iv) the successful obtaining of additional sources of financing as and when needed; (v) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and (vi) managing the Group's operational efficiency and implementing cost control measures to generate sufficient cash inflow.

As significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above, the Auditor is not possible to form an opinion on the consolidated financial statements of the Group. The Company has considered the rationale of the Auditor and understood its reasons, basis and consideration in arriving the Disclaimer of Opinion.

The Company proposed to keep implementing the actions and measures as summarised above. Regarding the extension of repayment date and debt capitalisation of the Convertible Bonds, the Company has proposed terms to the Holders and has conducted discussion with them, to the best knowledge and belief of the Directors, the Holders is reviewing the proposed terms and it is expected that the relevant reorganisation process could be initiated in the second half of 2024. The Group has been actively negotiating with the lenders on renewal, extension of repayment and/or introduction of debt capitalisation plans. It is expected that the majority of the borrowings made for the automotive parts business will be renewed or replaced by new financing upon due. As for borrowings of the Company, the Company intends to engage an adviser to analyse the indebtedness of the Company and set out debt reorganisation plan (such as repayment extension and debt capitalisation, etc.), and launch negotiation on relevant terms with the debtors. It is expected that such plan would be launched in the second half of 2024. Moreover, the Group has been actively negotiating with potential investors on new opportunities in the education technology and information sector to improve its cash flow position, and it is expected that the Group will launch business in the said sector in the second half of 2024. The Group also intends to reduce its operating expenses to enhance its financial position. In this regard, the Group is considering more cost efficient alternatives of its office units in Hong Kong and Shenzhen, the lease of which will expire in April 2025, to lower rental cost of the Group. It is expected that the plan of change of office could be finalised by end of 2024. Save as disclosed herein, other measures and actions set out therein are still in the negotiation stage and there is no concrete timeline for implementing the same as at the Latest Practicable Date.

The Group has taken the following steps mirroring the proposed action plan set out in the annual report of the Company for the 2022 Financial Year:

(a) the Group has been negotiating with the Holders for the extension of the maturity date to 15 May 2024. The Group has been negotiating with the Holders since March 2023 on the said extension and the Board is given to understand that the delay in confirmation of which was mainly due to internal reorganisation of China Huarong as a result of change of shareholders' equity interest;

(b) the Group has been negotiating 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. For the 2023 Financial Year, approximately RMB222.8 million of borrowings (representing approximately 26.1% of the borrowings overdue or will be due within twelve months from 31 December 2022 (being approximately RMB854.7 million as at 31 December 2022)) have been renewed. In June 2023, the Company entered into settlement agreements with 10 creditors on debt capitalisation pursuant which indebted amount totalling HK$12,537,076 due from the Company were capitalised;

(c) the Group has been seeking additional new sources of financing as and when needed. For the 2023 Financial Year, the Group obtained additional bank and other borrowings of approximately RMB45.4 million for repayment of debt or operation of business;

(d) the Group has been divesting its non-core and non-operating assets. For the 2023 Financial Year, the Group recorded net proceeds of approximately RMB63.1 million from disposals of financial assets measured at FVTPL. The said net proceeds were used for repayment of debt or operation of business; and

(e) the Group has been managing operations from time to time to generate sufficient cash flows. In April 2023, the Group did not renew the term of part of its office units in Hong Kong to reduce its operating cost.

Although the progress of implementation of the said action plan results in reduction of indebtedness of the Group, the balance of indebtedness of the Group as at 31 December 2023 remain on the higher end of the spectrum, leading to the Disclaimer of Opinion.

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 for the year ending 31 December 2024:

(i) negotiating with the Holders for the extension of the repayment date and/or to introduce debt capitalisation plans;

(ii) negotiating with lenders of borrowings which were overdue or will be due within twelve months from the date of statement of financial position for the renewal, extension of the repayment date and/or to introduce debt capitalisation plans;

(iii) capital injection from new investors;

(iv) obtaining additional sources of financing as and when needed;

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

(vi) managing the Group's operational efficiency and implementing cost control measures.

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 2024.

The Audit Committee's View on the Disclaimer of Opinion

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 future. 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.

Environmental, Social and Governance Report

The ESG Report provides information about the Group's work on ESG in the 2023 Financial Year, which mainly covers environmental and social issues that its stakeholders are concerned about and are related to the Group's sustainable development, to allow all stakeholders to better understand the Group's philosophy, relevant measures and performance, etc., in relation to sustainable development. The Group looks forward to providing objective and reliable non-financial information to stakeholders in the form of annual reporting, to promote stakeholders' understanding and participation in the Group's sustainable development. In order to gain a comprehensive understanding of the Group's relevant performance, the ESG Report shall be read in conjunction with this annual report (in particular the Corporate Governance Report contained therein).

REPORTING SCOPE

The ESG Report covers the Group's financial services business in China and Hong Kong, education management and consultation business in China, and automotive parts business in China. The information and data are disclosed for the 2023 Financial Year, i.e. from 1 January 2023 to 31 December 2023.

BASIS OF REPORT PREPARATION

The ESG Report was prepared in accordance with the ESG Reporting Guide. The Group discloses its management policies, strategies and targets on various environmental and social aspects in different sections of the ESG Report. The ESG Report was also prepared in accordance with the "comply or explain" provisions and reporting principles as set out in the ESG Reporting Guide, which include:

Materiality: In view of the fact that there have been no material changes in business operations and reporting scope of the Group, the ESG Executive Committee re-examined and updated the Group's sustainability issues pool with consideration given to the Group's business development direction and the materiality assessment results of previous years by stakeholders, while taking reference to the focus areas of companies in the same industry as well as international reporting guidelines. Subsequent to the Board's confirmation of the material issues for the 2023 Financial Year, the disclosure focus of the ESG Report was then formed to respond to stakeholders' concerns in a detailed manner.

Quantitative: All business segments under the Group have in place a customised data collection tool, continuously recording and monitoring environmental and social performance indicators that are relevant to their business, and setting quantifiable targets or directional and forward-looking statements with respect to some of the indicators with description of their purposes and impact, and the benefits of the ESG policies and management systems can be assessed and verified. Unless otherwise specified, the ESG Report provides the data on environmental and social performance indicators for the three years ended 31 December 2023 to present annual performance changes and lay a foundation for the Group to set environmental and social performance targets in the future.

Balance: The ESG Report discloses the challenges faced and efforts put forth by the Group in its sustainable development, reflecting the Group's state of operation objectively.

Consistency: Unless otherwise specified, data calculation methods and disclosure formats that are consistent with the past were used in the ESG Report to ensure comparability.

SOURCE OF INFORMATION

The Group regularly collects information from all business segments through its internal mechanism. Information cited in the ESG Report is mainly sourced from the Group's statistics and official documents. The Board monitors the content of the ESG Report to ensure that it does not contain any false representations, misleading statements or material omissions.

APPROVAL AND ENDORSEMENT

The ESG Report was confirmed by the ESG Executive Committee and was approved by the Board.

ACCESS TO THE REPORT

The electronic version of the ESG Report can be downloaded from the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk.

FEEDBACK OF STAKEHOLDERS

The Group strives for excellence. If you have any comments or suggestions on the work reported or ESG performance of the Group, you are welcome to share your valuable comments with us via email at ir@cfcg.com.hk.

BOARD STATEMENT

The Board is the top decision-making body of the Group for ESG management and is ultimately accountable for the Group's ESG management policies, strategies and reporting. The Risk Management Committee is responsible for deciding the risk level and risk tolerance of the Group, reviewing the Group's risk management and internal control systems, ESG policies and guidelines, to ensure the effective implementation of the risk management, internal control systems and ESG work. The Risk Management Committee also regularly reports to the Board on material ESG matters.

The ESG executive committee is responsible for managing ESG-related matters. The ESG working groups/functional departments of each business segment of the Group regularly collect information on ESG and submit it to the ESG Executive Committee. The ESG Executive Committee comprises senior management such as the executive Directors and Co-CEO, Chief Financial Officer and Chief Operating Officer. The Company's brand development department takes the lead, together with the responsible persons of the relevant departments under different business segments of the Group, to assist each business segment in promoting ESG-related policies, conducting materiality assessments, preparing ESG reports in the course of its operations, and report to the Board and the Risk Management Committee from time to time on potential ESG risks and opportunities that the Group may come across.

Based on the external economic and social macro environment and the Group's business development strategy, the Group conducts an annual materiality assessment of ESG issues, and ranks and manages important ESG-related issues (including the risks to the Group's business) through the process of analysis, assessment, confirmation and evaluation to discuss and identify ESG risks and opportunities for the Group. The Board and the Risk Management Committee review and confirm the results of materiality assessment, consider the management and improvement of key issues as its annual priorities, and supervise the management and performance of such issues.

Through a top-down and inside-out approach, the Group aims to have its management, employees and other stakeholders uphold the Group's ESG development philosophy and incorporate environmental and social responsibilities into their daily work and lives. The Board regards creating long-term value for stakeholders as an imperative goal, promotes each business segment to formulate policies, measures and quantifiable goals or directional and forward-looking statements on ESG materiality issues based on their own business characteristics and development strategies, and regularly reviews the progress in achieving goals at Board meetings and makes targeted improvements through management optimisation, industrial technology modification and improved cost efficiency ratios, etc.

The Group recognises that setting scientific and reasonable ESG goals based on actual circumstances is closely related to the sustainable development of the Group's business. Continuous enhancement of environmental and social performance is the development trend of the era, which is also in line with "carbon peak and carbon neutralization" development strategy of China. In the long run, these are beneficial to the Group's business development to further reduce costs and improve efficiency, deliver higher overall efficiency and assume greater social responsibility.

The Group will disclose in detail the Group's governance of ESG matters, ESG management policies and strategies, ESG-related goals and progress review, and the progress and effectiveness of key issues through its annual report.

1. ABOUT CFCG

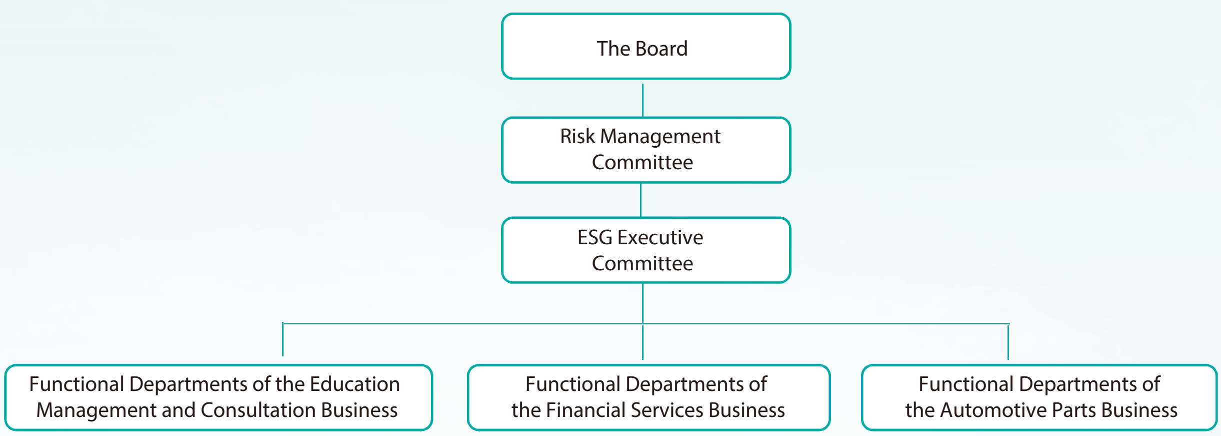
The Company is an investment holding company. The Group maintains a diversified development strategy to provide customers with a wide range of products and services, and is mainly engaged in financial services business, education management and consultation business and automotive parts business currently. 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; education management and consultation business mainly provides international high school curriculum and overseas study consultation services; and automotive parts business is mainly engaged in R&D, manufacturing and sales of automobile absorbers.

2. CORPORATE GOVERNANCE

2.1 ESG Governance Structure

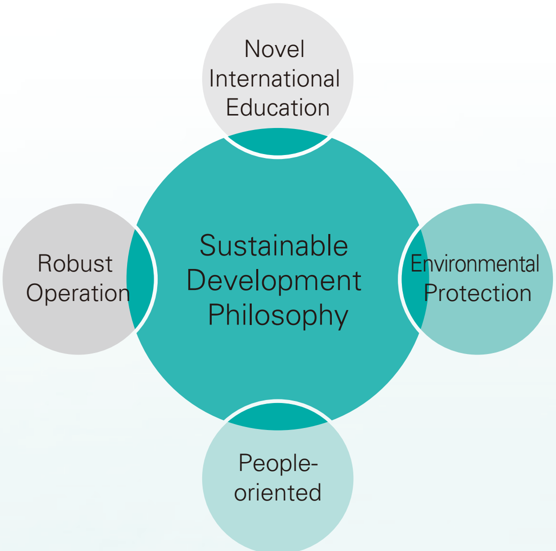
The Board is the top decision-making body of the Group for ESG management, and is ultimately accountable for the Group's ESG management policies, strategies and reporting. The Risk Management Committee is responsible for deciding the risk level and risk tolerance of the Group, reviewing the Group's risk management and internal control systems, ESG policies and guidelines, to ensure the effective implementation of the risk management, internal control systems and ESG work. The Risk Management Committee also regularly reports to the Board on material ESG matters.

The Group has established an ESG Executive Committee, which is attended by senior management such as the executive Directors and Co-CEO, Chief Financial Officer and Chief Operating Officer, led by the Company's brand development department, and is composed of the responsible persons of the relevant departments under different business segments of the Group, to strengthen the management of sustainability-related matters. The functional departments of each business segment of the Group regularly collect information on ESG and submit it to the ESG Executive Committee. By closely monitoring the Group's ESG performance, the ESG Executive Committee is able to review progress against ESG-related targets, and makes targeted improvements through management optimisation, industrial technology modification and improved cost efficiency ratios, etc. The Group's ESG Executive Committee takes the lead in promoting ESG-related policies, conducting materiality assessments and preparing ESG reports for each business segment in the course of its operations, and reports to the Board and the Risk Management Committee from time to time on potential ESG risks and opportunities that the Group may come across, to assist the Board in assessing, prioritising and managing key ESG-related matters. The ESG Executive Committee also regularly reviews the Group's sustainable development strategy and reports thereon to the Board and the Risk Management Committee, to meet the ever-changing expectations and demands of the stakeholders.



2.2 Sustainable Development Philosophy

The Group actively performs its environmental and social responsibilities and develops sustainable development strategies to continuously reduce the adverse impacts of its business operations on the environment and society and further create sustainable development values for its stakeholders. The Group integrates the concept of sustainable development into all of its business segments and continues to promote sustainable development in its financial services, education management and consultation and automotive parts business segments. Through a top-down and inside-out approach, the Group aims to have its management, employees and other stakeholders adhere to the Group's sustainable development philosophy thoroughly, and incorporate environmental and social responsibilities into their daily work and lives. The Board is fully aware of the importance of sustainable development to the long-term development of the Group, and treats creating long-term value for stakeholders as an imperative goal.



To implement the Group's sustainable development philosophy and to create long-term value for its stakeholders, we are committed to:

- operating the Group's businesses with good ethical practices and in full compliance with applicable laws and regulations;
- integrating environmental education into the Group and encouraging stakeholders to contribute to environmental protection to reduce environmental impact;
- protecting the safety and health of the Group's employees, customers and students;
- with regard to the education management and consultation business, targeting to realise a new type of international education, and upgrading various services;
- with regard to the financial services business, continuing to provide diversified financial services for all types of enterprises to support their development; and
- with regard to the automotive parts business, continuing to aim for "Top Quality and Customer Satisfaction" and improving product quality and customer satisfaction.

2.3 ESG Goal Management

The Group's ESG goals mainly refer to the ESG Reporting Guide requirements, as well as international standards such as the Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB), combine the Group's business development characteristics to establish own ESG indicator system and management system. Follow the planning-implementation-check-action (PDCA) optimization framework, the Group regularly reviews the progress in achieving goals and makes adjustments based on industry development, achieving coordinated improvements of ESG indicator system and management system during the business development process. ESG indicators are used to measure the qualitative and quantitative issues arising from the Group's ESG actions, helping the Group to establish a clearer structure and goals in ESG implementation and reporting process, so that the Group's ESG actions over the years can be compared to a certain extent. For example, GHG emissions, which was used to continuously monitor and improve ESG actions of the Group, achieve its longer-term dual carbon goals. The Group is fully aware that ESG development trend has put forward new requirements for corporate operations, and is also fully aware of ESG challenges and opportunities in operating environment. Therefore, establishing a more environmentally adaptable governance mechanism and strategic goals is very important to effectively improve ESG performance.

2.4 Robust Operation

The Group aims for robust operation and adheres to compliant and safe operation. On one hand, all business segments strictly comply with laws, regulations and industry regulatory requirements that have a significant impact on the Group's operations. Relevant departments regularly review the updates on current laws and regulations and change the Group's policies accordingly to ensure that the internal control systems of the Group align with pertinent requirements, while providing compliance training to employees. On the other hand, in response to the changing operational environment, all the Group's business segments kept optimising their organisational and staffing structures according to their respective business attributes and characteristics. Efforts were also made to focus on business positioning and core business resources, integrate and explore development opportunities, and boost our competitiveness against the uncertainties of the external environment.

Intellectual Property Rights and Information Protection

In order to protect intellectual property rights, prevent infringement and ensure the confidentiality of business information, the Group formulates measures and processes for intellectual property management, such as stipulating that the names of our new companies or products shall undergo trademark screening or patent registration, complying with regulations on intellectual property rights and filing trademark or patent applications timely. Feedback on such applications shall be followed up on an on-going basis, with relevant documents filed by respective business segments. The Group has formulated the *Marketing Materials Guidelines*, which, in addition to stipulating that all marketing materials must meet regulatory requirements, stipulates that certain materials that may be subject to copyright or license restrictions must obtain permission and pay a fee before copying, distributing or using.

The automotive parts business of the Group formulates the information security management system, which identifies the departments related to trade secrets such as the R&D centre and archive rooms as confidential areas where no unrelated personnel is allowed to enter casually. Meanwhile, the Group enters into confidentiality contracts or terms of confidentiality with employees and customers in employment contracts and commercial contracts, respectively. Each of our financial service business segments has a separate office area with separate access cards and strict access control.

The financial service business of the Group also has a *Business Contingency Plan*, where contingency measures were established for our securities trading business. Due to the instability of the electronic trading platform, responsible personnel of relevant departments will initiate a direct connection to the temporary trading platform of the Stock Exchange in the event of any interruption of or disturbance to the online trading platform, and at the same time the information technology department will be notified to follow up and carry out emergency remedial works. Concurrently, all customers will be informed of the disruption of the trading system by text message or email. The information technology department will subsequently verify the cause of the system disruption with the software vendor and develop a precautionary plan to avoid the recurrence of the same type of incident.

Customers' Privacy

The Group attaches great importance to the protection of customers' privacy, and has formulated the *Measures for the Management of Customer Privacy Protection*. The Group employs an encrypted user management system to regulate the access to the personal data collected, to which only authorised employees are granted access. In addition, the Group is highly concerned about the collection and handling of customers' personal data and has established the Personal Information Collection Statement, to ensure that customers' information is used in a proper manner.

Anti-corruption Policy and Integrity Management

The Group attaches great importance to employees' integrity and is committed to maintaining high ethical standards in its business operations and taking a zero-tolerance approach to any form of corruption and bribery. The Group strictly complies with laws and regulations that have a material impact on the Group's operations in relation to anti-corruption, reviews and updates anti-corruption policies on an annual basis, improves relevant systems according to the industry practices of each business, and puts the concept of business integrity into practice to build a clean and honest working atmosphere. In the 2023 Financial Year, the Group was not aware of any confirmed cases or public legal proceedings relating to corruption that involved the Group or its employees, or any non-compliance with the laws and regulations on preventing bribery, extortion, fraud and money laundering that had a significant impact on its operations.

The Group firmly believes that honesty, integrity and equity are the fundamental values of doing business, and is committed to operating through best practices and with ethical standards upheld. The Group attaches great importance to the promotion and education of anti-corruption policies, and formulated the *Anti-corruption and Anti-bribery System*, the *Corruption and Bribery Whistleblowing System* and the *Compliance Manual*, which are reviewed annually. In order to bolster the Group's anti-corruption management, the Group provided employees and Directors with training on integrity and conduct.

To ensure that all employees of the Group are financially sound, competent, honest, reputable and reliable in order to allow customers to use the Group's financial services with confidence, employees of the Group are required to make a self-declaration on their background information in areas such as honesty, capability and financial soundness. The Group formulated the *Conflicts of Interest Policy* for the identification and management of conflicts of interest, requiring employees to avoid any forms of conflicts of interest and proactively report those that have occurred, demanding employees to uphold integrity at all times.

The Group formulated the *Anti-Money Laundering and Counter-Financing of Terrorism Policy and Procedures*. Prior to providing services to customers, we systematically conduct the Know Your Customer (KYC) due diligence and complete the *Risk Profiling Questionnaire*. This allows the Group to understand customers' knowledge and experience on investment products, current financial position and investment objectives and expectations. This could help the Group to have a clear understanding of the actual risk tolerance of customers. It also provides our customers with a full picture of the products and their associated risks and expected results. Meanwhile, this policy is also conducive to preventing and discerning any forms of bribery, extortion, fraud and money laundering led by customers or employees, to avoid any illicit financial flows used for financing terrorism activities through the Group. We will report to relevant authorities for any suspicious transaction.

In order to strengthen employees' integrity and self-discipline and have orderly production and operating activities, the automotive parts business of the Group has established the Supervisory Audit Committee to audit all expenses, requires employees to sign the Letter of Undertaking of Integrity, and strictly prohibits employees from soliciting bribes from any supplier or using their positions to seek private gain in the course of business.

In order to systematically prevent fraud, Edukeys Group has developed an anti-fraud and whistleblowing system and conducted training sessions. At the same time, Edukeys Group has set up reporting message box and hotline to encourage staff to report any suspected fraud cases. The management office will prudently handle the reports and conduct proper investigations in accordance with the whistleblowing procedures to ensure that whistleblowers are protected during their assistance to investigations.

3. STAKEHOLDER ENGAGEMENT

3.1 Regular Communication

Stakeholder engagement is an indispensable process to the Group's promotion of sustainable development. The Group maintains good communication with stakeholders through diversified communication channels to fully understand their views and expectations, allowing the Group to take full account of stakeholders' major concerns when operational decisions are made. This is also conducive to the Group's formulation of the appropriate sustainable development policy as well as its fulfillment of corporate social responsibilities. The key stakeholders of the Group are organisations and individuals who are affected by the Group's operations or that may affect the operations of the Group, including the Shareholders, government and regulatory bodies, employees, students and parents, customers, suppliers, professional organisations and local communities. We communicate regularly with our stakeholders to foster reciprocity and mutual trust, to fully comprehend the focus of their concerns and to respond through different channels correspondingly.

Our primary channels of communication with stakeholders, frequencies and focuses of their concerns are as follows:

Types of Stakeholders	Primary Communication Channels	Frequencies	Focuses of Stakeholders' Concerns
Shareholders	• Annual/interim report • Announcement/circular • Annual/extraordinary general meeting • Official website, email and hotline	• Half-yearly • Irregularly • Annually/irregularly • Irregularly	• Investment return • Corporate governance • Robust operation • Innovative business models
Government and Regulatory Bodies	• Annual/interim report • Announcement/circular	• Half-yearly • Irregularly	• Compliance with laws and regulations
Employees	• Employee performance appraisal • Meeting and training • Email, WeChat, notice board	• Quarterly • Irregularly • Irregularly	• Employee remuneration and benefits • Occupational health and safety • Employee development and training
Students and Parents	• Daily interaction • Parent-teacher conference • Student satisfaction survey	• Irregularly • Every semester • Every semester	• Teaching quality • Teachers' moral conduct • Student's health and safety • Further education and study abroad

Types of Stakeholders	Primary Communication Channels	Frequencies	Focuses of Stakeholders' Concerns
Customers	• Customer satisfaction survey • Interview and site visit • Customer service hotline and email	• Irregularly • Irregularly • Irregularly	• Excellent products and services • Protection of customers' interests • Protection of customers' privacy
Suppliers	• Public tender • Satisfaction assessment of suppliers • Interview and site visit • Meeting with suppliers	• Irregularly • Irregularly • Irregularly • Annually	• Fairness and openness of procurement • Win-win cooperation • Environmentally friendly purchases • Credit periods
Professional Organisations	• Satisfaction assessment of professional organisations • Email, hotline and interview	• Irregularly • Irregularly	• Win-win cooperation • Resources links
Local Communities	• Media conference • Charitable activity • Donation • Face to face interview • Forum and seminar	• Irregularly • Irregularly • Irregularly • Irregularly • Irregularly	• Community engagement • Public welfare support • Awareness of environmental protection • Environmental education • Supporting community development

3.2 Materiality Assessment

The management of sustainable development is a dynamic process. We must continuously comprehend the ever-changing concerns and expectations of our stakeholders, and combine them with the Group's operational focus and our understanding of the external business environment. We regularly assess sustainability issues that are of paramount importance to our stakeholders and provide them with responses in a timely manner. In the meantime, the assessment is also conducive to the Group to understand its possible risks and opportunities in sustainable development.

In view of the fact that there have been no material changes in business operations and reporting scope of the Group, after the validation from the Group's management, on the basis of reviewing and updating this set of topics regarding sustainability, and in accordance with the operating priorities for the 2023 Financial Year, a total of 8 environmental issues and 12 social issues were considered to be of high importance, and were particularly elaborated on in the ESG Report.

The Group's materiality assessment process for the 2023 Financial Year is as follows:

The First Step – Analysis

The ESG Executive Committee re-examined and updated the Group's sustainability issues pool by taking into account the Group's business development direction in the 2023 Financial Year and the materiality issues of previous years, comparing and analysing the direction of concern of the same industry, and making reference to international guidelines for report writing. Based on the Group's business operation and management focus in the 2023 Financial Year, the issue of "management system construction and innovation" received less attention from stakeholders and we decided to remove this issue from the sustainability issues pool. On the other hand, in order to keep up with industry trends across all our business segments and to respond to them, the Group decided to include the issue of "packaging material use and upgrade", "human rights protection", "dealer cooperation" and "industry exchange and promotion of industry development" in the sustainability issues pool of the 2023 Financial Year, and merge "green operation philosophy" and "environmental education, publicity and practice" into "environmental protection publicity and green operation", merge "product recall procedures and rate" and "customer complaint handling mechanism" into "product after-sales service", merge "occupational health and safety" and "protection of students' physical and mental health" into "protection of physical and mental health". After review and update, the sustainability issues pool of the Group in the 2023 Financial Year comprises 12 environmental issues and 20 social issues.

The following table outlines the sustainability issues of the Group for the 2023 Financial Year:

Environmental Issues

1. Air emissions and management
2. Wastewater discharge and management
3. Solid waste handling and management
4. Water usage and efficiency
5. Energy usage and efficiency
6. GHG emissions and management
7. Use of new and renewable or clean energy
8. Environmental protection publicity and green operation#
9. Management of environment and natural resources
10. Climate change
11. Management and sorting of waste
12. Packing material use and upgrade#

Social Issues

1. Employment policy
2. Labour standard
3. Product responsibility
4. After-sales service#
5. New product development and technological innovation
6. Supply chain management
7. Dealer cooperation#
8. Customer service
9. Customer privacy protection
10. Anti-corruption and whistleblowing procedures
11. Employee development and training#
12. Diversity and equal opportunities#
13. Physical and mental health protection#
14. Human rights protection#
15. Operational risk control and management#
16. Control and management of teaching quality
17. Development of innovative curriculum and diversified education
18. Industry exchange and development#
19. Student character and competency development
20. Community engagement and contribution

Issues that are newly added into the pool of sustainability issues in the 2023 Financial Year

The Second Step – Assessment

Following the update of the sustainability issues pool, the ESG Executive Committee led a discussion with the Group's management and the responsible personnel of all business segments to examine and adjust the level of importance of each sustainability issue in the pool. A total of 8 environmental issues and 12 social issues were considered to be of high importance for the 2023 Financial Year.

The Third Step – Confirmation

The ESG Executive Committee presented the materiality assessment results to the Board for review and confirmation of the issues of high importance for the 2023 Financial Year.

The Fourth Step – Evaluation

The Group regularly communicates with stakeholders as a means to evaluate the issues of high importance and the impact they bring forth to ensure that the Group's sustainable development direction is in line with stakeholders' expectations.

The ESG Report elaborates in the subsequent sections on the work and progress made by the Group in the 2023 Financial Year regarding the 8 environmental issues and the 12 social issues that were considered highly important. We will strengthen our emphasis on managing the issues of high importance in our operations by formulating appropriate strategic policies, making policy improvements, and setting long-term goals as a continual process to respond to stakeholders' expectations, while reporting on the efforts we put forth on ESG.

The following table lists the issues of high importance to the Group for the 2023 Financial Year:

Issues of high importance	Aspect	Corresponding sections in this ESG Report
1. Air emissions and management	Environment	7.1 Environmental Impact
2. Wastewater discharge and management	Environment	7.1 Environmental Impact
3. Solid waste handling and management	Environment	7.1 Environmental Impact
4. Water usage and efficiency	Environment	7.2 Use of Resources
5. Energy usage and efficiency	Environment	7.2 Use of Resources
6. GHG emissions and management	Environment	7.1 Environmental Impact
7. Climate change	Environment	7.3 Climate Change
8. Environmental protection publicity and green operation#	Environment	7.4 Environmental Education
9. Labor standard	Environment	6. People-oriented
10. Employment policy	Environment	6. People-oriented

Issues of high importance	Aspect	Corresponding sections in this ESG Report
11. Supply chain management	Social	5. Excellent Products and Services
12. Product responsibility	Social	5. Excellent Products and Services
13. New product development and technological innovation	Social	5. Excellent Products and Services
14. Control and management of teaching quality	Social	4.3 Quality Educational Resources
15. Customer service#	Social	5. Excellent Products and Services
16. Operational risk control and management#	Social	2.3 Robust Operation
17. After-sales service#	Social	5. Excellent Products and Services
18. Dealer cooperation#	Social	5. Excellent Products and Services
19. Physical and mental health protection#	Social	6.4 Health and Safety
20. Industry exchange and development#	Social	6. People-oriented

Issues that are newly added in the 2023 Financial Year and are considered to be of high importance

4. INNOVATION IN EDUCATION

4.1 Innovative International Education Concept

The Group followed the law of education development, closely followed national guidelines and policies, adhered to the essence of education, integrated the essence of Eastern and Western education, and actively innovated to build a new international education service platform.

The Group actively explored the localisation of international curriculum and the characterisation of local curriculum, implemented curriculum integration and continued to optimise the curriculum structure, placed emphasis on the development, options and integration of curriculums, to fully unleash the personality potential and creative thinking of students and enhance students' performance. Using professionalism to build a personalised growth system, the Group always pays attention to students' physical and mental health and lifelong development, and promotes students to create the greatest possibility. The Group continued to optimise the structure of teachers, hired excellent subject teachers, strengthened the subject teams, provided scientific and complete training and diversified development opportunities, including vigorously launched a series of cross-campus teaching and research training under the theme of "Academic Co-creation", improved the teaching quality assurance system with "bilingual teachers as the core", and actively promoted the institutionalisation of processes and the customisation, professionalisation, normalisation and standardisation of services, covering admissions, teaching, further education, inter-school cooperation and other aspects, striving to improving the quality of teaching and management efficiency.

In terms of overseas study consultation services, in view of the diversified feature of overseas study, the Group improved its planning and guidance services with an elite, international, professional guidance team and strategies and enriched its diversified application service products to provide students with a full range of services covering thinking patterns, academic background, interview tutoring, interest-exploring, comprehensive ability, school selection and other aspects.

4.2 Unique Education Model

The Group advocates diversified education models, explores innovative education methods, cultivates students' "excellent qualities", and establishes "refined, distinctive and internationalised" schools of excellent quality, and emphasises unleashing the potential of every student and giving them the opportunity to excel in life.

The Group provides diversified educational projects, effective learning scenarios and a good learning atmosphere for students, and continues to improve teaching quality, create a safe and healthy teaching environment, and cultivate students' future-oriented literacy and abilities. To realise students' dreams of studying in prestigious overseas schools and to pave the way for their future, with the international bridge as a link, the Group emphasises the whole-person development of students with a four-in-one balanced development of academics, interests, social responsibilities and future goals. Through customised learning, interest-exploring programs and providing opportunities for foreign exchanges, we cultivate students' independent thinking ability and leadership, enrich their horizons and knowledge, stimulate their own potential, as well as comprehensively improve quality of research, teamwork, communication, leading them to become globally competent international talents.

Edukeys Group is the operator of the PGA (Project of Global Access) high school international programme and provides study abroad consultancy services to students in cities such as Beijing, Shanghai, Chongqing, Xi'an, Hangzhou, Wuhan and Zhengzhou. The programme is customised according to the features of Chinese high school students in order to make it more suitable for Chinese students, and has become an influential and professional brand in the sphere of running basic education business internationally. Graduates of the programme continue to be admitted into leading universities in the US, UK, Canada and Australia.

4.3 Quality Educational Resources

The Improvement of Teachers' Quality and the Construction of Teachers Ethics

High-quality teaching staff is the core competitiveness of the Group and the driving force for continuous development. The Group follows the characteristics of the teaching profession and the rules of development, categorises and evaluates them scientifically, encourages teachers to focus on classroom teaching reform and research, provides professional development for teachers and enhances their teaching management skills through activities such as "teaching competitions", "lesson competitions" and "teacher training plans". The Group insists on using professional teachers to teach corresponding courses and create teaching plans. Teacher development and annual teacher appraisal are organically integrated to achieve quality management and consistency of teaching quality.

The Group's recruitment process gatekeeps teachers' quality. Teachers employed by the Group are mostly full-time teachers who graduated from leading domestic universities and overseas universities and met the job requirements of teachers as stipulated in the *Teachers Law of the PRC** (《中華人民共和國教師法》) and the *Regulations on the Qualifications of Teachers** (《教師資格條例》). The Group actively strengthens training in nurturing virtues of teaching teams, and continuously improves the long-term mechanism for maintaining teachers' virtue. The teachers' moral behaviour is the core requirements and basis for teacher recruitment and introduction, professional title evaluation, job recruitment, performance appraisal, and evaluation and reward. Edukeys Group encourages all staff to sign the *Letter of Undertaking of Maintaining Teachers' Virtue*, and collects students' opinions on teachers' moral behaviour through the form of questionnaire, as well as formulates the '*Implementation Plan for the Specialised Management of Teachers' Ethics*, which prohibits all teaching staff from accepting any form of benefit or gift for the purpose of setting a good example for students in their everyday lives.

Introduction of Quality Curriculum Resources, Development of Character and Competency for Students

The Group's success in running schools not only relies on its teacher's quality and teaching management, but also on its perseverance in exploring curriculum innovation. In order to enable students to fully unleash their potential, the Group has introduced quality education concept, to inspire students to unleash their potential and creativity in every way and to cultivate their uniqueness, through diverse forms of classes and international education programmes with distinctive features.

In the 2023 Financial Year, Edukeys Group continued to improve the localisation of international curriculum and the characterisation of local curriculum, organically combining the local curriculum with the international curriculums such as AP and A-Level to better meet the learning needs of students in terms of breadth and depth of knowledge. Through independent innovation and R&D of school-based courses, including "Practical Speaking", "Basic English Grammar", "Practical Writing", starting from the needs of students, we innovate the interest of courses, improve the quality of teaching, and strive to cultivate more excellent lifelong learners with an international perspective and integrating Chinese and Western cultures. The Group makes full use of the advantages of the school's educational resources to implement eight categories with a total of 26 school-based courses in physical education and health, arts enhancement, interesting English performance, English proficiency enhancement, comprehensive practice, cultural practice, background enhancement and professionalism, and interesting science, which are opened to all students, comprehensively meeting the students' needs in terms of interests and planning for further studies and further enhancing their overall cultivation level.

The PGA international programme develops and enhances students' ability to use English for academic exchange and writing, as well as their ability to use English in real-life scenarios, and effectively supplements the basic knowledge of mathematics, business studies and scientific principles that are not available in some domestic curricula. On this basis, students will develop comprehensive abilities, including calculation and data processing, information technology, independent learning, academic research and communication and presentation. It also adopts the process assessment model used by foreign universities, allowing students to gradually make the progressive transition from international education in China to overseas universities.

Control and Management of Teaching Quality

The teaching and management abilities of teachers and administrators are directly related to the teaching quality, management standards and brand image of the Group's schools. Therefore, the Group has formulated detailed training plans to enhance the knowledge base and professional capabilities of teachers and administrators. The Group coordinated quality teachers and provided them with informative, practical and effective training, so as to raise their level of expertise. Also, the Group joins hands with teaching and research institutes, educational research institutes, universities and education companies to bring in teaching resources such as educational experts, famous teachers, superior educational projects and actively participates in various education industry summits for providing high-quality, high-standard and multi-level teaching services for students. In the 2023 Financial Year, Edukeys Group invited inside and outside senior experts, renowned teachers and students from prestigious schools to organise a series of cross-campus "Academic Co-creation" activities on topics such as Bilingual Teacher Literacy, Academic Teaching and Research, Oxbridge Interviews Coaching, Further Education Planning, Further Education Courses and Psychological Counseling, to realise cross-campus teaching and research, and to promote "Academic Co-creation" branding activities to multiple teaching centres across China.

Riding on the brand and market influence of the PGA International Programme, the Group has expanded its alliance school cooperation efforts to create a new type of international education service platform. Having cooperated successively with various schools in China in the areas of education management, teaching demonstration, seminars, teacher training, curriculum development, research and discussion on lesson preparation, and classroom guidance, we established a teaching standard empowerment system, optimised the allocation of education resources, upgraded the teaching standard of teachers and improved the quality of students' studies. By optimising the curriculum structure and 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 and provide convenient access and services for students to pursue further education and overseas study. The Group continuously optimises its organisational management system and develops 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.

5. EXCELLENT PRODUCTS AND SERVICES

The Group endeavours to provide customers with excellent products and services (including but not limited to automotive shock absorbers that meet or exceed international and domestic industry standards, education management and consultation services, compliant and professional financial services), and strictly complies with laws and regulations that have a significant impact on the Group's operations in relation to health and safety, advertising, labelling and privacy matters, and methods of redress of its products and services. In the 2023 Financial Year, the Group was not aware of any violations of the laws and regulations that had a significant impact on the Group's operations relating to the health and safety, advertising, labelling and privacy matters, and methods of redress of the products and services provided by the Group.

5.1 Diversified Financial Services

The Group has established a sound financial services business system with diversified financial service licences, providing services such as listing sponsorship, underwriting and placement, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management, and was approved to operate a trust or company services business in Hong Kong by the Companies Registry of Hong Kong. The Group strictly complies with the codes and guidelines related to the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission*, the SFO and *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (Chapter 615 of the Laws of Hong Kong).

The Group is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and has been admitted by the SFC as a sponsor under the SFO. As such, (i) in addition to dealing in securities and providing margin financing to customers, it is also engaged in underwriting and placing of shares for listing applicants and listed companies; (ii) it can provide portfolios (such as stocks, bonds, discretionary managed accounts, and funds) management, investment consultation and investment advisory services to its clients; and (iii) it 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.

For the 2023 Financial Year, the Group acted as (i) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Sanergy Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2459); (ii) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Powerwin Tech Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2405); (iii) the joint global coordinator, the joint bookrunner and the joint lead manager for the listing of Shenghui Cleanness Group Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2521); (iv) the joint bookrunner and the joint lead manager for the listing of MedSci Healthcare Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2415); (v) the joint bookrunner for the listing of Beijing Fourth Paradigm Technology Co., Ltd. (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 6682); and (vi) the joint lead manager for the listing of Persistence Resources Group Ltd (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2489).

The Group also serves as (i) the sole sponsor for the new listing application of Lesi Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2540); (ii) the independent financial adviser to the independent board committee of China Titans Energy Technology Group Co., Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 2188) in relation to a mandatory conditional cash offer; (iii) the independent financial adviser for a connected transaction of Applied Development Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 519); (iv) the independent financial adviser for a continuing connected transaction of Tianjin Port Development Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 3382); and (v) the independent financial adviser for a continuing connected transaction of S-Enjoy Service Group Co., Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 1755).

5.2 Quality Automotive Parts

The Group places high emphasis on the quality of products and sets "Top Quality and Customer Satisfaction" as the core value of the Group's automotive parts business, targeting to become a world-renowned automotive parts company to achieve "Where there are Cars, there is Cijan". Our shock absorbers for passenger cars, commercial vehicles and railway vehicles are currently used by over 40 automotive manufacturers worldwide. Quality requirements vary amongst different products. Thus, the Group has established product monitoring and quality control procedures for timely inspection, monitoring and control of outsourced parts and raw materials purchased in bulk, to ensure that they meet the product quality requirements and normal production takes place. The Group also has control procedures for defective products in place, to prevent unintended use or delivery of such products and provide clear indications of the product status. At the same time, the Group has put forward an incentive system for quality assurance, setting out reward and punishment measures with respect to quality. In terms of product quality standards, the shock absorbers of passenger cars must align with OE standards; those of commercial vehicles must be equipped with a meticulous valve system based on driving and loading needs to effectively dampen vibrations; and those for railway vehicles must effectively suppress the vertical vibration amplitude between the steering rack and wheels. All products shall be provided with a 3-year/100,000-kilometre warranty for accessories and a one-year after-sales warranty.

As a national high-tech enterprise, Nanyang Cijan has been conferred the title of "Top 100 Outstanding Suppliers of Automotive Parts in China" for consecutive years, and has been producing automobile shock absorbers for passenger car manufacturers such as Shanghai Volkswagen, FAW-Volkswagen, Dongfeng Motor, Chang'an Auto, GM Wuling, BAIC Group, Geely Auto, Xpeng Motors, Leading Ideal, NIO, Great Wall Motor and GAC Group, and for passenger car, truck and commercial vehicle manufacturers such as Yutong Bus, JMC, Foton Motor, Zoomlion Heavy Industry, C&C Trucks, etc. Nanyang Cijan also produces vibration dampers for rail trains for clients such as CRRC, CRRC Tangshan, CRRC Sifang, CRSC, Nanjing Metro, Hangzhou Metro, Xiamen Metro and Hefei Metro. In March 2023, the Group was awarded the "Outstanding Innovation Award (傑出創新獎)" by SAIC Motor. In July 2023, after successively passing the business review, new supplier review, technology review, quality review, corporate social responsibility review and financial review by Stellantis Group (formed by the merger of two major automobile corporate groups, Groupe PSA and Fiat Chrysler Automobiles), the Group officially obtained the project assignment notice for CMPSouth platform from Stellantis Group.

The automotive parts business of the Group has a comprehensive quality management system, which has successively obtained the ISO9001 Quality Management System certificate, the IATF16949:2016 Automotive Quality Management System certificate, the QS9000 and VDA6.1 quality system certificates and other qualifications.

Product Quality Control

Quality is the lifeline of products. In terms of improving product quality, in order to avoid risks and reputational damage caused by product quality and product safety, the Group complies with the *Product Quality Law of the PRC** (《中華人民共和國產品質量法》), the *Regulations of the PRC on the Administration of Product Quality Certification** (《中華人民共和國產品質量認證管理條例》), and the *Implementation of Compulsory Product Certification Rules** (《強制性產品認證實施規則》) and other management regulations, through systematic improvements, comprehensively improves the stability of each model of products and creates reliable, high-quality products.

The automotive parts business of the Group's takes "Pursuing Excellence" as its own responsibility and as its general quality policy, actively implements product quality management systems and institutional integration, continuously achieves independent technological innovation, establishes its own unique quality management model, and is committed to achieving high quality Target. Based on total quality management, the Group has consolidated its organisational system, management system, corporate culture, technical standards, information system and knowledge management, and continued to improve excellent quality with effective support from agile development, lean supply chain, intelligent manufacturing and full-process services, laying the foundation for the company's products extension to high-end. The Group implements full monitoring of product safety and quality and executes a triple-inspection system in its production process, i.e., "First Inspection, Patrol Inspection and Final Inspection". The Group also keeps abreast of the latest production situation and quality performance through performing real-time data collection by the Manufacturing Execution System (MES), providing timely feedback to responsible personnel on the implementation of the production plan so that they can respond quickly to any emergency at the production site. Since shock absorber is not a hazardous product, it poses no health risk to consumers. We customise product labels according to the requirements of our customers with instruction manuals formulated for each product accordingly. Specialised personnel are then arranged to check the product labels to ensure that all the information is correct. Furthermore, the Group provides "three guarantees" service to automobile manufacturers, under which all products with quality issues will be repaired, replaced or returned. As the Group mainly works with automobile manufacturers, end-consumers can contact automobile manufacturers directly for any problems found in the product. In the 2023 Financial Year, the automotive parts business of the Group did not recall any products sold due to safety and health reasons.

The automotive parts business of the Group analyses customer needs based on customer types and provides customers with products that meet their requirements. It strictly follows the concept of "Top Quality" and strengthens product quality management throughout the entire process in product design, production, transportation and other aspects, ensures that the products produced and sold meet delivery requirements. Especially in the manufacturing process, the Group performs quality control strictly at each stage of the production of shock absorbers through a wide range of measures, such as putting up "reminder signs for key quality control procedures" next to factory production lines to remind employees of the common reasons for non-conforming products. The Group also puts up quality control slogans in the factory to promote its core value of "Top Quality" to its employees. Each shock absorber produced by the Group is subject to rigorous quality testing to ensure that the products we produced are of excellent quality and meet customers' requirements.

In terms of product recall procedures, once it is discovered that substandard products have flowed into the market, Nanyang Cijan will immediately initiate the recall procedure and strive to achieve early detection, early recall, and early processing. Thanks to strict product quality management, the absorbers of Nanyang Cijan have no product recalls and will continue to maintain high standards and strict requirements for products in the future.

Supplier Management

The main suppliers of the Group's financial services business are financial institutions. When selecting financial service providers, legality, safety and quality are the basic considerations of the Group. Financial service providers must be licensed institutions or businesses that are socially responsible, financially sound, and comply with local regulations. The Group regularly reviews whether all suppliers have been reprimanded or punished by local regulatory authorities.

To ensure product quality and safety, the automotive parts business of the Group established the *Suppliers Management System* to regulate raw materials procurement. Nanyang Cijan performs on-site reviews of all potential suppliers, and suppliers should meet the requirements on quality, product development capabilities, product compliance, production capacity, cost control capabilities and environmental protection. They are also required to be certified with the ISO/TS16949 or the ISO9001 Quality Management System. In addition to strict quality control requirements, Nanyang Cijan also gives priority to the procurement of products with less negative environmental impact and sets out specific environmental requirements in tender documents, gives priority to green products or products with lower carbon and energy consumption under the same conditions and actively promotes green procurement.

Improving the New Supplier Management System

To ensure product quality, Nanyang Cijan has developed a new and effective system of supplier management, screening and grading, which consists of three main components:

In terms of supplier management, Nanyang Cijan has developed and annually updated a supplier management process, signed quality agreements with suppliers, and carried out daily management through performance monitoring, process auditing and quality statistics of suppliers, with an emphasis on the allocation ratio of suppliers' orders and the supplier selection echelon, so as to control the stability and safety of the supply chain as a whole, as well as the overall efficiency ratio of the quality, price and after-sales aspects of the supply;

In terms of screening of suppliers, the Group actively builds a green supply chain and strictly complies with the requirements under the Group's *Guidelines for Selection and Approval of New Suppliers*. Nanyang Cijan gives priority to suppliers that advocate environmentally friendly and low-carbon operations. In particular, suppliers have a complete EHS management policy and management structure, have incorporated climate change, carbon peaking, carbon neutrality and other matters into operational goals, formulated various internal supporting systems and implemented a mature environmental management system. During the procurement process, the Group actively guides suppliers to integrate ESG-related elements such as energy conservation and emission reduction, environmental protection, occupational health and safety, and responsible supply chains, and gives priority to increasing procurement volume allocation in actual procurement;

In terms of grading of suppliers, pursuant to the *Document on Evaluation of Supplier Performance*, the Group collects monthly evaluation forms based on zero-kilometre PPM values, after-sales PPM values, quality complaints, delivery timeliness, additional cost ratios, supplier evaluation results, supplier's price trends and monthly red supply performance information from suppliers. According to the form, suppliers are appraised semiannually by the purchasing department, the quality assurance department, the R&D centre and the product department, and a *Qualified Supplier List* will also be prepared.

Nanyang Cijan prepares the *Potential Supplier Assessment Report* according to the passing rate of incoming product quality inspection, the rectification rate of service quality, the number of after-sales complaints, the timeliness of delivery and price trends. In this way, suppliers are graded into three categories, A, B and C, where unqualified suppliers are categorised as C-grade. Suppliers who are graded as unqualified are required to carry out prompt rectification. If no improvement is made within a specific period of time, the supplier shall fall into the *Unqualified Supplier Register* and shall not be invited to participate in any tender. In the 2023 Financial Year, Nanyang Cijan has 84 suppliers, of which 18 were mainly located in Henan Province, 16 in Jiangsu Province, 11 in Zhejiang Province, 7, 6 and 5, respectively, in Anhui Province, Shanghai and Sichuan Province, 4 each in Chongqing and Hebei Province, and 1 each in Germany, the Netherlands and Italy. None of these suppliers was categorised as C-grade and eliminated due to quality issues, timeliness of delivery, degree of cooperation and products cost performance. However, 13 suppliers were removed from Nanyang Cijan's supplier list due to longstanding lack of business relationship and poor management of the suppliers themselves.

At the same time, the Group attaches great importance to the responsibilities and actions of its supply chain partners in building a green supply chain. Add green supply chain indicators to the annual supplier review to examine the actions and results of each supplier on environmental, economic and social aspects. Promote suppliers and products provided to meet the green and sustainable development requirements of the environment, industry and society.

In the 2023 Financial Year, the Group revised and strengthened environmental protection requirements and specifications for procurement, as well as related implementation and monitoring methods to identify and circumvent environmental and social risks throughout the supply chain. For example, the Group conducted supply risk checks on suppliers involved in environmental protection issues in accordance with relevant local government regulations, and collected environmental management system certificates from suppliers. The relevant implementation and monitoring methods include the establishment of an environmental management system certificate ledger, which shall be tracked and updated by the supplier's manager.

Customer Satisfaction

The automotive parts business of the Group has maintained two-way communication with customers, who are welcome to give advice to the Group through channels such as the official WeChat platform, the 24-hour service hotline and site visits. Nanyang Cijan conducts monthly customer satisfaction surveys, in which aspects such as the proportion of malfunctioning shock absorbers that were recalled before the vehicle was sold, the number of customer complaints and feedback, and downtime in manufacturing lines, are rated. In the 2023 Financial Year, the Group did not receive any complaints from external customers in relation to products and services.

Customer satisfaction	Achievement for the 2023 Financial Year
Score out of 10	10

To ensure that prompt reply is provided to our customers, the automotive parts business of the Group has introduced the Quality Management System (QMS) to manage customers' demands in a centralised manner and resolve problems in a quicker and standardised way. Relevant departments perform proactive analysis of customers' feedback and ensure that all issues are resolved within 30 days.

Continuous Innovation

The Group has established an excellent R&D and innovation management system, attaches great importance to R&D investment and technological innovation, and has established advanced R&D and testing centers. Nanyang Cijan reviews the goals and plans of R&D and innovation management annually, makes timely adjustments based on corporate operations and the external economic and social environment, and continues to innovate the R&D process and activate organisational vitality. With the continuous operation of the R&D system for many years, R&D human efficiency continues to improve. The Group has formulated the *Incentive Scheme for Science and Technological Innovation* and the *Notice on Reward and Punishment Measures for Employees' Obtaining Various Certificates to encourage* employees to innovate proactively and pursue lifelong learning. Incentives and recognition can be provided for employees who are awarded certificates of scientific and technological achievements, file patents of shock absorbers or other automotive parts inventions, participate in the development or revision of international, national or industry standards, publish papers or attend academic education and obtain professional qualifications. In terms of corporate innovation capability certification, as a "High and New Technology Enterprise", Nanyang Cijan's R&D centre was certified as the National Enterprise Technology Centre and selected as an "Academician Workstation" and "Post-doctoral Workstation" of Henan Province. In recent years, through extensive cooperation with Beijing Institute of Technology, Southwest Jiaotong University and other higher education institutions, Nanyang Cijan has delivered fruitful achievements in "Production, Education and Research", including multiple patented technologies for inventions, utility models and appearance designs, and has undertaken R&D for provincial and municipal projects with over 1,000 different types of shock absorbers developed.

Nanyang Cijan has maintained its annual investment in R&D and technological innovation accounting for more than 3% of its total sales. In the 2023 Financial Year, the cumulative investment of Nanyang Cijan in R&D amounted to approximately RMB104.34 million, with the total amount invested in R&D accounting for approximately 5.69% of annual sales, and R&D personnel accounted for approximately 8.88% of total number of employees. Nanyang Cijan also attaches great importance to the protection and application of intellectual property rights in the process of innovation and development. Continue to improve the intellectual property management system, and establish various intellectual property management and incentive systems. Effectively manage and operate intellectual property rights to prevent knowledge leakage in business process, and form a virtuous cycle of technological innovation and intellectual property protection. As at 31 December 2023, Nanyang Cijan owned 3 software copyrights, 21 new utility model patents, and approximately 300 intellectual property rights.

6. PEOPLE-ORIENTED

The Group firmly believes that employees are one of the Group's most important assets, and the development of its business is inseparable from the dedicated efforts of its employees. The Group has formulated a sound human resources policy, with the purpose of being a "people-oriented" business, in order to attract and retain outstanding talents, bringing employees together and increasing their sense of belonging to the Group. The Group encourages a diversified employee portfolio which brings a variety of skills, experience and innovative ideas to the Group.

The Group strictly complies with laws and regulations that have a significant impact on the Group's operations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, anti-harassment, other benefits and welfare and other employment related matters, to ensure that employees are provided with legal and reasonable remuneration and benefits and are treated fairly. The Group also enters into employment contracts with employees, develops and implements a scientific and standardised personnel management system, and formulated the *Employee Manual*, outlining the rights and obligations of employees.

6.1 Nurturing Talents

The Group has sound *Measures for Recruitment and Dismissal Management*, which systematically advances the building and growth of teams of talents, so that the staff can better align with the business development needs of the Group. The human resources department ensures that the recruitment and dismissal processes are standardised and transparent, and regularly reviews and updates relevant human resources policies in accordance with the latest laws and regulations. During the recruitment process, the Group considers factors such as candidates' working experience, expected work capacity and internal budget of the Group, and observes candidates' personality, enthusiasm, development potential and other personal qualities. Meanwhile, the Group strictly prohibits any unfair or unreasonable dismissal, and termination of the employment contract must be lawful and reasonable.

Protecting employees' rights and interests is the basis for stimulating employees' potential. The Group insists on providing employees with competitive salary guarantees in the industry. The Group established a robust *Remuneration Management System* and *Performance Appraisal Management Plan*, which are reviewed and updated on an annual basis. The Group has established a remuneration and benefit system based on the principles of job value and more reward for more work, including monthly salary and other fixed remuneration, performance bonuses, year-end bonuses and other remuneration and benefit projects, and continues to use performance management to stimulate employees' vitality and improve work efficiency. In addition to basic remuneration, the Group also provides employee benefits and various rights and interests. The Group carries out work performance appraisals at least once a year to assess employees' work capability and performance while taking into account the market remuneration level for the position and the internal budget of the Group. The results of the appraisals serve as references for the Group to make decisions on promotion and remuneration adjustments for outstanding employees. When there is a job vacancy, the Group gives priority to internal promotion or deployment. The Group has established a performance feedback and grievance mechanism to encourage employees to continuously improve their personal performance. Performance evaluation is based on fairness and reasonableness. The *Remuneration Management System* clarifies the performance management process for all employees, including goal setting, supervision and coaching, interview evaluation, and face-to-face meetings, performance feedback and six steps for development plan implementation. Employees who have objections to the results of performance and promotion appraisals must submit a written appeal within one week of receiving the notice, and the human resources department and the next-level management will seriously and carefully review the appeal.

To elevate talent development at a steady pace, the Group established an employee career development planning system, and provides employees with a smooth and clear career path. Nanyang Cijan clearly outlines the career progression for technical and management employees, providing them with a dual-track approach to career development to enable them to select a suitable path and plan for their own career development. At the same time, the Group rationally taps the potential of its employees, cultivates core management talents, and builds a multi-level talent echelon to empower the Group's sustainable development.

The Group strictly abides by laws and regulations such as the *Labour Law of the PRC** (《中華人民共和國勞動法》), the *Labour Contract Law of the PRC** (《中華人民共和國勞動合同法》), the *Special Provisions on the Labour Protection of Female Employees** (《女職工勞動保護特別規定》), the *Prohibition of Child Labour and other laws and regulations** (《禁止使用童工規定》), adheres to the concept of fair employment, and establishes comprehensive vocational training system. The Group respects all employees and formulated the *Equal Employment Policy*, under which no employee should be discriminated against because of race, religion, gender, nationality, sexual orientation, marital status and disability during employment, training, performance management, selection, promotion and remuneration adjustment, to ensure a fair and just practice and to create an inclusive and diverse workplace. Meanwhile, the Group has zero tolerance for any workplace discrimination or harassment. In the event of any violation of the *Equal Employment Policy*, corresponding actions will be taken by the Group. In the 2023 Financial Year, the Group did not receive any complaints regarding the infringement on the rights and interests of employees and was not aware of any violations of employment-related laws and regulations that had a significant impact on the Group's operations.

The Group established anti-child labour and forced labour management systems and regulations, prohibits any recruitment and employment of child labour and prohibits any form of forced labour, and strictly complies with the laws and regulations that prohibit child and forced labour. The Group strengthens the standardisation of recruitment, employment, promotion and resignation processes, strictly abides by relevant recruitment disciplines, and ensures fair and impartial recruitment work. During the recruitment process, the human resources department of the Group requires the employees to provide valid identification documents before taking up their duties, requires new employees to cooperate in completing a reasonable background check process, so as to prove the legal age requirement for employment and eliminate the occurrence of child labour. The Group enters into, performs, changes, cancels or terminates labour contracts with all regular employees in accordance with the law, effectively protects the legitimate rights and interests of employees, and provides corresponding benefits and treatment. The Group also respects employees' rights to rest and vacations, regulates employees' working hours and their rights to various rest periods and vacations. Nanyang Cijan established the *Regulations on the Management of Employees Working Overtime*, which stipulates that employees can only work overtime with the prior approval of their head of department. Employees will be granted compensation leave or overtime pay afterwards to ensure that no employee is forced to work overtime. The Shenzhen office has formulated the *Staff Overtime Management System*, which stipulates that staff can be given corresponding time off for overtime work. The human resources department regularly reviews the implementation of the human resources policies with a view to eradicating the risks of child and forced labour. In the 2023 Financial Year, the Group was not aware of any violation of the laws and regulations relating to the prevention of child or forced labour that had a significant impact on the Group's operations.

As at 31 December 2023, the Group had a total of 1,938 employees, including 17 ethnic minority employees and 100 labour dispatch employees. The number of employees with a bachelor's degree or above accounted for approximately 22.14% of the total number of employees.

6.2 Diversity

Board Diversity

The Company is committed to ensuring 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, including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and terms of service, and (vii) such other perspectives appropriate to the Group's business.

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

Employee Diversity

The Group has established anti-discrimination and diversity management systems and regulations. Based on the principle of talent orientation and in accordance with the business model 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 a good balance in employee gender diversity. The Group does not tolerate any form of workplace discrimination, harassment and aggression, including based on nationality, geography, gender, religion and race, regardless of whether such behavior is related to an individual on a gender or other basis.

As at 31 December 2023, female members accounted for approximately 32.2% of all employees of the Group (including senior management), and male members accounted for approximately 67.8%.

6.3 Caring for Employees

The Group's *Employee Manual* and the *Employee Working Hours System and Policy* outline the working hours and rest periods of employees, which are both in compliance with relevant local employment laws and regulations. In addition to providing statutory paid leave, Mandatory Provident Fund or social insurance and housing provident fund, medical insurance, business travel accident insurance and a competitive remuneration system, the Group also ensures that its employees are entitled to marriage leave, maternity leave, pre-maternity leave, parental leave and compassionate leave, etc. The Group respects and protects the special rights and interests of female employees in accordance with the law. For example, during pregnancy, childbirth and breastfeeding, female employees can enjoy leave in accordance with the standards stipulated in relevant policies. During this period, the labour relationship with them shall not be terminated. When the labour contract expires, they shall automatically be extended until the pregnancy, childbirth and lactation periods. In addition, Nanyang Cijan provides employees with high temperature vacation in July, one of the hottest months of the year, to reduce employees' exposure to health risks posed by working in high temperatures. The Group's Shenzhen office has rolled out the staff care initiatives such as one-day paid sick leave per month as well as two hours of early departure and a birthday book of their choice within the total price range on employees' birthdays. The Group also provides staff with festive benefits at traditional festivals such as the Dragon Boat Festival, the Mid-Autumn Festival and the Spring Festival.

The Group strictly abides by labor and human rights laws and regulations, attaches great importance to democratic management and communication, and respects employees' rights to freedom of association and freedom of negotiation.

The Group regularly presents employees with outstanding employee performance awards, including the Best Attendance Award, the Model Employee, and the Outstanding Employees, Outstanding Team, and rewards outstanding employees through a formal letter of appreciation or bonus. The Group always pays attention to the needs of employees, provides employees with multi-level welfare protection, promptly resolves employees' difficulties and worries, and encourages employees to lead a colorful life. In order to help achieve work-life balance and enhance employee happiness, the Group organises different types of employee care activities each year, such as birthday parties, welcome lunches with new employees, Christmas parties, outdoor team building activities and annual gathering.

The Group firmly believes that good interactive communication with employees not only benefits the Group's operation and management, but also helps the Group in promoting its sustainable development. The Group attaches great importance to the mental well-being of its employees, promotes an open feedback culture, and pays close attention to employees' psychological health. While understanding and collecting employees' feedback and suggestions, it also relieves employees' career and work stress and creates a warm and harmonious workplace environment. To ensure continuous, effective and two-way communication between employees and the management, the Group encourages employees to express their opinions and suggestions on the working environment, remuneration and benefits and other aspects through e-mail, bulletin boards, WeChat, the Employee Manual and meetings.

6.4 Health and Safety

The Group strives to provide employees with a healthy and safe working environment, while strictly complying with the laws and regulations that have a significant impact on the Group's operations in relation to employees' health and safety, including providing a safe working environment and protecting employees from occupational hazards. To ensure that employees at all levels of our business segments duly work on safety management, the Group established the *Occupational Health and Hygiene Management System* to prevent, control and eradicate any occupational hazards, and to minimise employees' risks in their working environment. For the three years ended 31 December 2023, the Group had no fatalities caused by work.

Occupational Health and Production Safety

In order to effectively prevent major accidents and occupational diseases and to ensure the personal safety and health of our employees, the automotive parts business of the Group has been conscientiously implementing the policy direction that "Safety is of the utmost priority with prevention as the primary focus". It put into practice the liability system for production safety and set up the Production Safety Management Committee and the Occupational Health Leading Group, with the responsibilities of each unit under the production safety management system clearly specified. Nanyang Cijan formulated and implemented relevant measures according to the *GB/T28001-2011/OHSAS18001:2007 Occupational Health and Safety Management Systems – Requirements* and has been certified to be in conformity with the standard.

Production safety target	Achievement of the target for the 2023 Financial Year
Zero major safety incident	100%

The automotive parts business of the Group formulated the *Safety Inspection System*, under which a comprehensive factory-level safety inspection is organised no less than twice a year, along with weekly workshop safety inspection and occasional safety inspection on new potential risk factors such as new equipment and new technology. The safety inspection team will issue criticisms against any department or employee that violates the rules, and appropriate punishment will be given according to the severity of violation. In addition, Nanyang Cijan regularly organises safety training for in-service staff, and only those who passed the training exam are allowed to work.

In the 2023 Financial Year, there were 5 employees injured in minor-injury accidents related to the use of machinery and equipment in the Group. Upon such accidents, the safety responsible personnel reported to the safety department within 30 minutes to start a comprehensive investigation. Subsequent to the confirmation of the cause of the accident, a corresponding rectification plan was developed. The Group has already applied for work injury on behalf of the injured employees, and arranged compensation leave for them to recover. The Group also provided them with necessary financial assistance according to the *Regulation on Work-Related Injury Insurances** (《工傷保險條例》). Such employees may take other suitable work positions according to their personal preference.

Office Health and Safety

The Group is immensely concerned about employees' health and safety in the office and established relevant policies and measures. The Group illustrated in the *Employee Manual* the health and safety precautions of the office working environment and formulated the *Smoke Free Workplace Policy* to prohibit smoking in the office. The Group provides employees with annual health check-ups, organises health talks, places green plants in offices, cleans the air conditioning system and disinfects carpets regularly in the office. The Group also pays great attention to the mental health of its employees. Through daily communication, it understands the mental health status of its employees and provides relevant counselling in a timely manner. Other than that, the Group's Hong Kong office and Shenzhen office both lease Grade A offices in the heart of the CBD and staff regularly participate in fire drills organised by the property management company of the office buildings to enhance their emergency response capability.

In the 2023 Financial Year, the Group was not aware of any violation of laws and regulations in relation to health and safety that had a significant impact on the Group's operations.

Epidemic Prevention and Safety

In order to improve the health level of employees, the Group continues to improve disease prevention and control, infectious disease isolation and physical examination management. In the 2023 Finanical Year, epidemics such as influenza A and B continued to recur. The Group strictly implemented the measures and requirements of epidemic prevention and control policies and regularly conducted sanitation operations on offices and campuses to fully protect the physical and mental health and safety of employees and students.

6.5 Career Advancement

The Group regards every employee as its valuable asset and strives to connect employees' personal growth with the Group's future development. The Group formulated the *Training Management System* and the *Annual Training Plan*, helps employees improve their professional skills and comprehensive capabilities by establishing multi-channel, multi-form, hierarchical and focused employee development training plans, so as to facilitate further development of the Group's business.

Four Key Training Objectives

In order to further promote the popularisation and effectiveness of training resources, the Group conducts professional training through a combination of online and offline methods, integrates training resources, and solves the limitations of time, space and geography on training courses. In order to ensure the effectiveness of training, the Group carries out training effectiveness evaluation and feedback, especially during the training process of teachers, assessing their professional abilities, behavior and work performance.

To Support Employees' Career Advancement

The Group encourages employees to continue to grow and realise themselves. The Group organises induction training for each employee on their first day of work to provide them with onboard guidance and an introduction of the company, in order to ensure that they have adequate expertise and capabilities for day-to-day work. In the meantime, the Group provides a wide range of job skills training for existing employees. In the 2023 Financial Year, the Group provided a series of training to its staff including, financial business integration, innovative business models and service products, safe operation and environmental education. The total ratio of trained employees reached approximately 91.33%, with an average training time of approximately 6.55 hours per employee, and the cumulative investment in training funds exceeded RMB800,000.

To Raise Compliance Awareness of Staff

The Group provides employees with training on compliance and risk management, relevant laws and regulations, and occupational health and safety, to boost employees' awareness of compliance and to ensure that the business operations of the Group are in compliance with laws and regulations.

Licenced employees of the Group's financial services business must continuously participate in a certain number of continuing professional training each year to meet regulatory requirements. In the 2023 Financial Year, the Group continued to carry out professional training on options, US stocks, Hong Kong stocks, etc., for its financial services business to enhance employees' professional service skills.

With regard to the education management and consultation business, the Group incorporated training on education-related laws and regulations into teachers' training plan, enabling teachers to have a clear understanding of education policies and industry development trends, thereby facilitating the identification of potential opportunities or risks. Guided by professional abilities and professional qualities, the Group designs highly targeted professional trainings such as teacher teaching quality series, function series, and operation management series, and is committed to the construction of teachers' ethics and ethics to create outstanding educational talents.

In terms of automotive parts business, Nanyang Cijan organises no less than two work health and safety training sessions for all employees every year, implements and guides employees' safety production and compliance measures, and jointly creates a safe working environment. The weekly meeting of each workshop emphasises safety awareness and safety precautions to ensure the avoidance of major casualties and promote the achievement of the goal of zero work-related accidents for employees.

To Cultivate Core Culture

During the transformation and upgrading of its business, the Group also pays attention to reshaping and upgrading its corporate culture. The Group conducts activities such as new employee induction training, systems training, monthly meetings and team building activities, to allow employees to understand the basics, culture, development strategy and systems of the Group, thereby facilitating their understanding of the Group's core values, promoting their recognition of its corporate culture, and enhancing their sense of belonging to the Group.

To Facilitate Innovation

The Group is committed to innovation and development, and actively exploring new business opportunities. We encourage our staff to actively explore ways to innovate in business, inspire them to think creatively and enhance their professional skills through expert sharing, exchange of opinions and innovation incentive programmes, in the hope of bringing more development opportunities to the Group.

7. ENVIRONMENTAL PROTECTION

From the strategic perspective of environmental and social sustainable development, the Group incorporates green concepts across its every business segment, fully considers the environmental and social impacts caused by each of the business segments and strives to create an environment-friendly community. The Group is fully aware of the fact that the production process of its automotive parts business will affect the environment to a certain extent. Therefore, it actively set up energy saving and emission reduction measures to reduce the negative environmental impact from factories, putting green operations into practice. Meanwhile, the Group also understands that it is an integral part of environmental protection to raise the environmental awareness among employees, we therefore proactively promote environmental education in factories and offices to encourage all employees to adopt environmentally friendly habits.

The Group strictly complies with laws and regulations that have a significant impact on the Group's operations in respect of air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise pollution. In the 2023 Financial Year, the Group did not receive any confirmed violations or complaints in respect of air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise pollution that have a significant impact on the Group's operations. In the meantime, the data of environmental performance indicators for the three years ended 31 December 2023 have also been provided in Section 10 of the ESG Report, so as to present the changes in annual performance, and to lay a foundation for the Group to set environmental performance targets in the future.

Policies have been formulated in respect of the automotive parts business of the Group to manage emissions and use of resources according to the *GB/T24001-2016/ISO14001:2015 Environmental Management Systems – Requirements with Guidance for Use*, and the environmental system certification has been obtained. The Group also regularly entrusts third-party organisation to monitor the emissions of pollutants, in accordance with relevant standards and specifications, during the operation of the automotive parts business to ensure compliance by the factories.

Environmental management target for production	Achievement of the target for the 2023 Financial Year
Zero major environmental pollution incident	100%

7.1 Environmental Impact

Air Pollutants

The Group's emissions of air pollutants mainly come from the production equipment of the automotive parts business. The Group complies with various waste gas-related laws, regulations and industry standards applicable in the places of operation, and also cooperates with government supervision and random inspections. The Group has improved its waste gas management system, monitored and assessed waste gas emissions, and set up persons responsible for emissions management. On top of implementing emission reduction measures for various pollution sources, the Group further strengthens the maintenance and management of pollution prevention and control facilities, so that the facilities are always in good condition to ensure a stable discharge of pollutants while meeting the emission standards. The production equipment in Nanyang Cijan is equipped with the end-of-pipe treatment technology to ensure that all kinds of air pollutants are effectively treated.

End-of-pipe Treatment Technologies of Air Pollutants

- Chromic acid vapour absorption
- Hydrochloric acid vapour absorption
- Regenerative thermal oxidation
- Water film desulphurisation and deduster
- Activated carbon adsorption
- Oil fume purification

In response to the national strategy of "carbon peak and carbon neutralisation", the Group's environmental action goals emphasise the importance of environmental protection to corporate social responsibility and sustainable development, the Group actively formulates environmental indicator goals and measures, reviews their performance and consistency with the goals, and promotes the construction and implementation of the environmental protection management system. The Group required a continuous reduction in the total volume of all emissions since 2019 and has continuously optimised new technologies with low energy consumption or sought green technology alternatives. The Group understands that as a responsible enterprise, it must proactively respond to the national green and sustainable development strategy and formulate its own short, medium and long-term carbon neutrality targets and plans in light of the actual situation of the enterprise, in order to keep pace with the long-term development of China and the trend of the times. The Group reviewed its exhaust emissions performance in the 2023 Financial Year and set a target of reducing exhaust emissions by 1% year-on-year for the next year based on the actual situation. To further reduce the emissions of air pollutants, Nanyang Cijan has gradually replaced the diesel forklifts for transporting goods with electric forklifts, which account for 32.5% of all forklifts, to achieve a balance between economic cost and green efficiencies. In addition, an access control system has been installed at the guard office of factories to control the entry and exit of vehicles with emission standards below National IV, and a technical retrofitting programme for grinding machine and exhaust gas treatment has been launched to improve the exhaust ducts and increase the number of exhaust fans and activated carbon filtration facilities. After the above improvement, the estimated annual emissions of volatile organic compounds (VOC), smoke and dust, nitrogen oxides, and sulphur dioxide can be reduced by 0.005 tonnes, 0.03 tonnes, 0.012 tonnes, and 0.011 tonnes respectively year-on-year. In order to be in line with the "coal-to-gas" initiative, the Group actively reduces its conventional consumption on coal and switched to higher standard green coal or green electricity instead, for the purpose of minimising air pollution and combating smog in China.

GHG Emissions

The inventory and analysis of GHG data is the first step in carbon emissions management. The Group has established a GHG inventory based on the main sources of carbon emissions. Direct GHG emissions (Scope 1) mainly comes from stationary sources, non-road mobile sources and road mobile sources, including the operation of its own vehicles and generator sets and boilers, etc.; indirect GHG emissions (Scope 2) mainly comes from factory and office electricity; whereas other GHG emissions (Scope 3) mainly comes from product raw materials, purchased packaging materials, outsourced parts, outsourced logistics and transportation services, sewage treatment and employee travel and commuting.

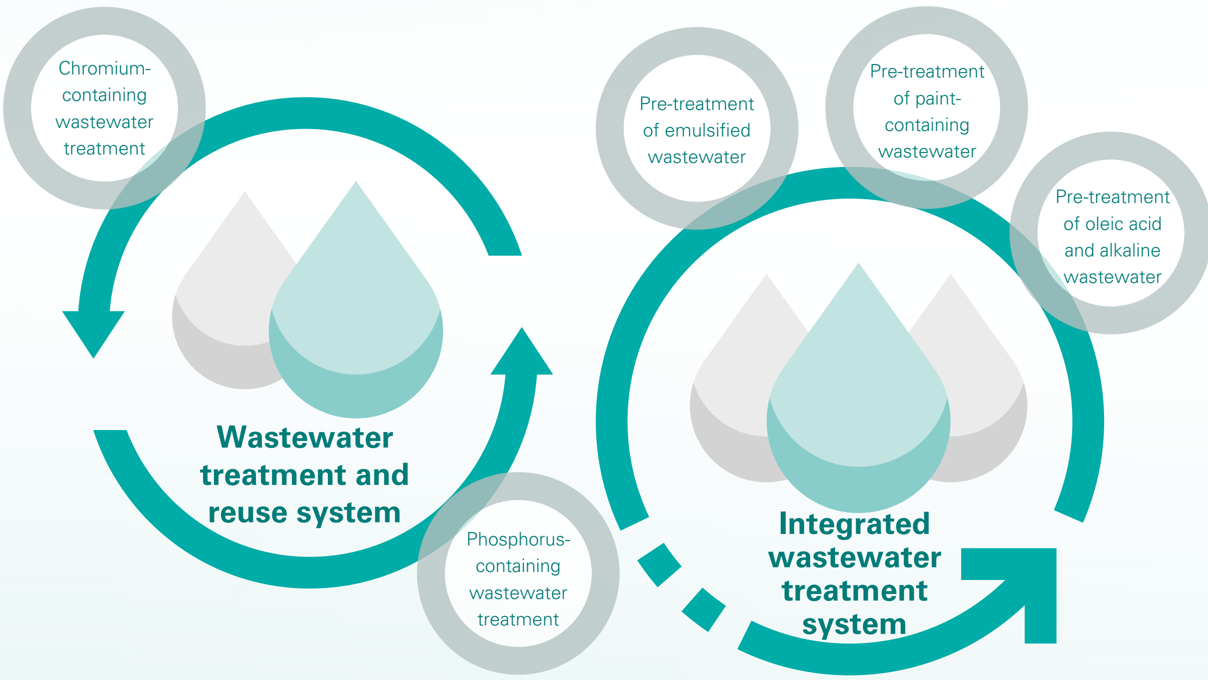
From the GHG emissions inventory, boiler use and electricity consumption are the main emission sources of the Group's GHG Scopes 1 and 2. The ESG Report also focuses on disclosing relevant data and performance comparisons. Scope 3 involves difficulties in collecting and coordinating a large amount of supply chain data, and it is not yet possible to calculate statistics. However, the Group is actively promoting the feasibility of relevant data collection and studying its calculation methods, and will gradually improve them in the future. In the 2023 Financial Year, the Group actively adopted energy saving measures in operations, set appropriate control targets, and achieved the goal of reducing GHG emissions by more than 5% year-on-year. Nanyang Cijan successfully achieved its waste gas emissions reduction target by changing the grinder waste gas treatment facilities from half a year to quarterly, adding an automatic control system to the electroplating waste gas treatment device, adjusting the PH value range from 6-9 to 7-8, and welding exhaust gas emissions were changed from direct emissions at a height of 20 meters to emissions after adding exhaust gas filter cartridge purification treatment equipment. Based on actual business development and GHG emissions reduction progress, the Group has set a target of reducing waste gas emissions by 1% year-on-year for the next year.

In the 2023 Financial Year, Nanyang Cijan reduced the intensity of annual emissions of sulphur oxides (SOx), and total GHG emissions through effective control and reduction of exhaust and GHG emissions, making due contribution to local haze control and air quality assurance.

The Group has also planted a total of 912 trees in areas within our factories to reduce the GHG emissions. The greening rate of the factory area has reached approximately 65%. It has offset the Group's GHG emissions by approximately 21 tonnes of carbon dioxide equivalents.

Wastewater

The automotive parts business of the Group has in place different types of wastewater treatment facilities for the collection and treatment of wastewater generated during the production process. Maintenance is performed on the wastewater treatment facilities regularly to ensure normal operation of the system. The Group reviewed its wastewater discharge performance in the 2023 Financial Year and set a target of reducing emissions by 1% year-on-year for the next year based on the actual situation.



In respect of the automotive parts business of the Group, chemical oxygen demand (COD) online analysers and flowmeters have been installed at the discharge points of the wastewater treatment facilities to monitor the wastewater quality online, and to ensure that the discharge is up to standard. In the 2023 Financial Year, approximately 7,200 tonnes of domestic wastewater and approximately 73,200 tonnes of industrial wastewater were treated in Nanyang Cijan, of which some wastewater was re-purified for recycling and some was discharged collectively after treatment to meet the standards. In the 2023 Financial Year, the Group increased water recycling by 520 tonnes, exceeding the target. In the 2023 Financial Year, the quality of wastewater discharged from the automotive parts business of the Group was in accordance with the limits as required under the Emission Permit. The Group has not been penalised by relevant environmental protection departments for exceeding any discharge limits.

Nanyang Cijan reduced wastewater discharge and reduced wastewater contaminating the ground through measures such as control and management of storage tanks and transmission pipes, control of the discharge volume, construction of special wastewater drains, and installation of online monitoring devices to control the discharge concentration, and the installation of a standard rain shelter at the landfill. In the 2023 Financial Year, Nanyang Cijan reused approximately 17,140 tonnes of purified wastewater.

Sewage from offices of the financial services business and education management and consultation business of the Group is domestic sewage, which is discharged into municipal pipelines through the drainage systems of the buildings.

Wastes

The Group strictly manages the handling of wastes and formulated specific handling methods, and has achieved the waste reduction target. In the 2023 Financial Year, the Group achieved a non-hazardous waste emissions reduction of more than 1%. In the future, the Group will continue to promote waste emissions reduction and harmless treatment processes and set a target of reducing non-hazardous waste by 1% year-on-year.

The non-hazardous wastes generated from the Group's operations comprise domestic waste and office waste, which are collected and disposed of by the responsible personnel from the property management companies or the refuse handling stations. Our factories generate non-hazardous wastes such as food waste from canteens and sludge from domestic sewage treatment facilities. The Group's treatment of non-hazardous waste follows the basic principles of reduction and resource utilisation, starting from process optimisation and operation management to reduce the generation of waste, and recycles non-hazardous waste as much as possible and convert them into usable resources. In the 2023 Financial Year, the Group's non-hazardous waste recycling reached approximately 99.42%.

The automotive parts business is the main source of the Group's hazardous wastes, which generates hazardous waste oil, waste oil containers, paint waste from paint-spraying process and chromium-containing sludge from electroplating wastewater treatment. Our offices generate a smaller amount of hazardous wastes, which include mercury-containing lamps, e-waste, waste batteries and ink cartridges.

The Group manages hazardous wastes in accordance with the *Directory of National Hazardous Wastes* and the *Standard for Storage and Pollution Control on Hazardous Wastes*, and stores them in categories according to their purpose, source, nature and hazard. Following the *Measures for the Management of Duplicate Forms for Transfer of Hazardous Wastes*, the Group transfers its wastes to an eligible organisation for disposal. The Group strengthened employees' awareness and protection skills of hazardous waste to ensure safety and efficiency during the transfer process, and also adopted measures to prevent the leakage of hazardous wastes in order to avoid contamination. The automotive parts business of the Group formulated the *Chromium Residue Management System* and the *Hazardous Wastes Management System*, which strictly stipulated the procedures for the generation, collection, storage, transfer and disposal of hazardous wastes. Nanyang Cijan transfers chromium-containing waste, paint waste and hazardous waste oil to eligible organisations for handling, while waste oil containers are recycled and reused by manufacturers.

The Group minimises waste generation in its business operations by reusing reusable items and sorting recyclables. Nanyang Cijan reused all non-hazardous waste oil in the rolling mill during the pipe manufacturing process, with about 600kg of waste oil reused in the 2023 Financial Year.

In the 2023 Financial Year, Nanyang Cijan all used plastic barrels with a standard loading capacity of 1,000kg to further reduce waste.

The Group implemented waste reduction measures in its offices. Such adopted waste reduction measures include:

– recycling and reusing courier packaging
– emptying rubbish bins regularly to reduce the frequency of replacement of plastic rubbish bin bags
– reducing the use of disposable cups for serving guests
– providing reusable utensils for employees to reduce the use of disposable tableware
– placing waste paper recycling boxes next to the printers to re-use waste paper
– arranging paper recycling boxes for collection of waste newspapers and paper

Noise Control

The Group's noise pollution is emanated from the production equipment of the automotive parts business. In order to reduce noise pollution, the Group established the *Noise Protection Management System* for noise-generating areas, and different noise abatement measures are employed according to the characteristics of the equipment, proactively conducting noise controls at the source and on the noise propagation.

In order to reduce noise, Nanyang Cijan takes a number of measures to tackle the noise problem at its source:

– installing sound-deadening cylinders
– installing sound absorbing panels
– equipping staff with noise-cancelling earplugs
– installing vibration damper and elastic air cushion in the item of equipment with high vibration
– pasting sound insulation cotton in an item of equipment
– installing sound-absorbing wall coverings inside laboratory premises

The Group also monitors the noise levels at the boundary of the manufacturing plant regularly to ensure that the noise level generated from the operation of the equipment meets the requirements of the *Emission Standard for Industrial Enterprises Noise at Boundary* and would not cause noise nuisance to neighbouring residents. The noise level outside the Group's production plant has been tested to be about 60 decibels and the noise level around the plant has been tested to be about 50 decibels.

7.2 Use of Resources

In line with the concept of "scientific management, punctual supply, rational usage, and wastage elimination", the Group manages the use of resources in each business segment to enhance the efficiency of resource utilisation, and sets a target of more than 1% year-on-year increase for the next year based on the actual situation.

Energy Use

With a safe, green and efficient energy management policy, the Group actively promotes standardised energy management systems and institutional construction, formulates reasonable energy goals and plans, analyses achievement status and improves measures. The Group strictly regulates the use of energy and encourages employees to actively propose energy-saving and consumption reduction measures, seeking opportunities to reduce the use of energy together with employees.

The automotive parts business of the Group formulated the *Energy Management Measures*, which strictly regulates the use of various electrical equipments, allowing responsible units to carry out timely maintenance of equipment in the event of anomalies to reduce electricity wastage. All of the low-voltage distribution rooms located at Nanyang Cijan are equipped with a reactive power compensation system, which improves the power factor, reduces the wearing of transformers and transmission lines, and hence improves the efficiency of power supply.

In the 2023 Financial Year, Nanyang Cijan added a transmission automatic control device to the automatic line. Each device can save about 1 hour of operation and 16 kilowatt hours of electricity per day. Through this measure, Nanyang Cijan saved approximately 5,760 kWh of electricity in the 2023 Finanical Year.

In terms of energy conservation and emission reduction, Nanyang Cijan is committed to reducing the impact of production and operation processes on environment, and promoting energy conservation and emission reduction in the industry through innovative and efficient products and solutions. Through energy-saving improvements of advanced energy management system, rainwater and sewage diversion system, water storage system, and air-conditioning system, we also study the introduction of green power projects such as distributed photovoltaic power generation and photovoltaic lighting to further improve energy-saving and emission reduction performance and promote the achievement of dual carbon goals. Nanyang Cijan has developed new equipment energy-saving models through tooling technical renovation and energy-saving inspections. The road solar lights in the factory can save about 432 kWh of electricity every year based on the energy consumption of lights.

To raise the energy saving and environmental awareness of employees and to encourage and cultivate their energy saving and environmental protection behaviours, the Group implemented a series of green and low carbon office measures focusing on energy conservation and the reduction of material consumption, which include:

- promoting a paperless office with files saved in the shared drive for circulation or distributed through email
- switching off lights when no one is using the office area
- setting computers to enter sleep mode or shut down when being idle for 15 minutes
- promoting the use of public transport or shared cycling for commuting to and from work
- promoting online meetings to reduce travel and transportation

Use of Water Resources

The Group's education management and consultation business and financial services business use municipal water, while its automotive parts business uses groundwater. The Group has not come across any difficulties in sourcing water.

The Group has been implementing a variety of water-saving measures, requiring the average unit water consumption to be saved by more than 1% year-on-year compared with the previous year, including:

– using recycled and reused water for equipment cooling in the electromagnetic valve production line of the intelligent workshop
– strengthening the daily maintenance and management of water appliances and closely checking if there is any water leakage problem so that timely repair can be carried out
– regularly consulting repair technicians to conduct inspection on the water valves and water pipelines
– developing employees' water-saving habits to consciously control the water flow manually when using water, and turning off the faucet after use in order to save water
– systematically upgrading water equipment and gradually installing water-saving devices
– strengthening the management of water-saving equipment to improve water efficiency
– strictly enforcing daily scheduled water supply with no overtime or non-timely water supply

In the 2023 Financial Year, Nanyang Cijan implemented the hydraulic cooling water technical reform project for electromagnetic valve production line and intelligent production line, which can reduce water resources usage by about 12 tonnes per hour and about 3,600 tonnes per month, and save about 43,200 tonnes of water resources per year. At the same time, Nanyang Cijan increased the amount of recycled water used in the 2023 Financial Year by approximately 520 tonnes by using the wastewater treated at the comprehensive wastewater treatment station to irrigate flowers, plants and trees in the factory area.

Use of Paper and Packaging Materials

In the 2023 Financial Year, we encouraged adoption of an electronic and paperless workplace in our Hong Kong and Shenzhen offices, and took active steps such as saving and reusing office paper, storing outdated newspapers and magazines, and sorting courier packaging materials for re-use, in order to protect the environment and utilise resources better. The internal approval process of Nanyang Cijan has been changed from paper copy approval to DingTalk online approval.

The Company's annual reports are available in Chinese and English versions, and are delivered according to Shareholder's preference. Shareholders are encouraged to receive the reports in electronic form in order to reduce the number of printed copies and save paper. The paper used for the annual report is derived from responsible forest resources and certified by the Forest Stewardship Council.

Packaging materials are mainly used for the finished products of the automotive parts business of the Group, which can be categorised into paper, metal, plastic and wood. Nanyang Cijan has introduced the use of shared logistics boxes and replaced the cartons with reusable iron boxes, aiming to reduce consumption of packaging materials and costs of packaging through the new cycle packaging. Nanyang Cijan reduced the use of 210 packaging boxes by switching to recyclable packaging boxes.

In the 2023 Financial Year, some major customers of Nanyang Cijan such as Chery Automobile, SAIC Group, Geely Automobile, GM Wuling, BAIC Group, FAW Group and other customers and newly developed markets and products have fully utilised the shared logistics boxes, with the annual loading capacity of the shared logistics boxes reaching approximately 4,280 tonnes, representing an increase of approximately 16.4% over the previous year and achieving substantial growth for two consecutive years. Nanyang Cijan also plans to gradually promote the use of shared logistics boxes to all customers and raw material suppliers to further reduce the consumption of packaging materials.

7.3 Climate Change

The Group actively promotes the formulation of climate change management system and constitution, sets climate change management goals and plans, identifies and responds to climate change risks and opportunities. The short-term goal is to avoid actual losses caused by natural disasters such as extreme weather and nip them in the bud; the mid-term goal is to carry out green innovation in various fields such as R&D, design, production and supply chain, and achieve a significant reduction in GHG emissions; the long-term goal is to achieve its own strategic goal of carbon neutrality through continuous energy saving and emission reduction, and green power projects. The Group has established a decision-making process for climate change risk control. The ESG Executive Committee is responsible for comprehensively assessing risks related to climate change, and the Board serves as the highest decision-making body.

Each of the Group's business segments has always followed the principle of "respect for nature; harmony between mankind and nature". At the same time, we require our business units to guard against natural risks, especially the impact of extreme weather events on production and operations.

Climate Change Risks and Countermeasures

In the short term, climate change may have a negative impact on the production and operations of a business, such as the acute risks associated with extreme weather events; and extreme events such as heavy rainfall, floods, droughts, typhoons, heatwaves, etc. may cause direct damage to the Company's assets or result in additional capital expenditure, reduced revenue and asset impairment, or affect the safety of the Company's premises, operations, supply chain, transportation and employees. Climate change may also lead to chronic risks, such as an increase in the average temperature of the earth and a rise in sea level due to climate change, which may affect the productivity of an enterprise, or impact water supply resources, water quality, food safety and other aspects.

To address the potential risks of climate change, the Group has put in place a series of countermeasures and contingency mechanisms to prevent possible hazards and losses, as well as to seize potential opportunities, such as developing alternative energy sources and improving resource efficiency, in order to mitigate and adapt to the negative impacts of climate change.

To reduce unnecessary losses caused by typhoons, the Group has put in place a series of preventive and control measures. In recent years, the damage caused by typhoons has been manageable, and there were no injuries or fatalities. The relevant preventive and control measures include: (i) members of the logistical support team must be in place throughout the typhoon period; the team members are arranged to be on duty at the factory 24 hours a day; and the staff on duty should patrol the factory from time to time or liaise closely with the property management office of the building. If he/she finds a dangerous situation, he/she should immediately report it to the management; and (ii) if the building is tilted or cracked during a typhoon, the site commander should immediately direct emergency personnel to evacuate staff from the site to a safe area and disconnect the power supply of the building. If anyone is injured, the medical ambulance team must treat him/her on-site or take him/her to hospital. A perimeter should be set up around the dangerous building and designated staff should be assigned to closely observe the condition of the building.

Nanyang Cijan takes measures to suspend or restrict the production of welding and painting processes that produce exhaust gases according to the different meteorological warnings (such as red, orange, yellow and green) issued by the government authorities under the smog conditions, and actively cooperates with the governments at all levels to prevent and control the smog, and makes positive efforts to prevent and control haze, to ensure air quality and to promote climate improvement in the region.

In the 2023 Financial Year, the roof of Nanyang Cijan workshop was damaged due to strong winds and heavy rains, and the cost of repairing the roof increased by approximately RMB256,300 compared with the previous year. Due to the large temperature difference, the glass of the financial services business office burst, causing a loss of approximately RMB2,000 due to replacement.

TCFD Progress

The Task Force on Climate-Related Financial Disclosure (TCFD) was established in 2015 by the Financial Stability Board under the Group of 20 (G20). The task force's objective is to formulate a set of consistent, voluntary climate-related financial information disclosure recommendations to help investors understand the climate risks of relevant entities. Entities such as enterprises, cities, and even non-profit organisations can adopt TCFD's recommendations to measure climate risks and report to their shareholders or stakeholders.

As a listed company on the Main Board of Hong Kong Stock Exchange, the Group actively embraces and responds to the concept of sustainable development and strives to reduce the environmental impact of our operations while actively managing the risks and opportunities associated with climate change. In recent years, we have continued to focus on and deepen our work related to TCFD, including the preparation of regulations and systems for climate risk management, the analysis of typical scenarios, and the promotion of green finance development, so as to strengthen our core competitiveness with a broader range of financial products and service systems to tackle the climate challenges with our stakeholders and customers. In view of this, we have been actively preparing and planning to gradually disclose more information on addressing climate change in accordance with the TCFD framework in the future.

7.4 Environmental Education

It is the responsibility of each and every one of us to conserve resources and protect the environment. The Group focuses on developing staff's good habits by raising their environmental awareness and encouraging them to protect the environment in action.

Nanyang Cijan formulates and issues environmental protection education and promotion materials. Through a series of education and training activities such as the annual safety training programme and the new staff training programme, as well as organising relevant environmental protection themed activities, Nanyang Cijan has actively promoted the concept of environmental protection, popularised environmental protection issues, to enhance the awareness and participation of staff in waste separation, and to continue to promote waste separation in detail and in practice.

In the 2023 Financial Year, Nanyang Cijan organised a number of training sessions for all staff on environmental protection, including staff training, seminars on environmental protection, training on the use of environmental protection facilities and environmental knowledge competitions.

The Group's financial services business and education management and consultation business also attach great importance to the daily environmental education of staff. We actively promote the concept of environmental protection in the areas of water and electricity saving, conservation and recycling of paper and other resources, and call on all staff to "save energy and protect the environment, starting from me and starting from the little things around me". This has actively and effectively promoted the Group's environmental education and achieved remarkable results.

8. COMMUNITY INVESTMENT

The Group is well aware of the importance of making positive contributions to the community it thrives in and treats the community interests as one of its social responsibilities. In addition to focusing on the Group's business development, we have also been actively involved in charitable activities to spread warmth and care to the community. To this end, the Group formulates community investment management systems and policies, allocates a certain percentage of its annual operating budget as project funds, plans its annual programme and reviews the programme on a regular basis. For example, it participates in poverty alleviation projects in remote areas, plans branded charity projects and actively cooperates with local charitable organisations such as the Red Cross and the Community Chest. The Group supports employees to actively participate in various volunteer activities such as blood donation, material donation, environmental protection, and charitable donations. In the 2023 Financial Year, the Group allocated donations of RMB224,000.

The Group has for many years cared for groups with different needs in the community, strengthened the cooperation and exchange within the industry, and supported the development of cultural undertakings. In recent years, the Group has paid further attention to the development of youths by offering exchange and internship activities, and by striving to provide youths with multiple development opportunities and to path their way to success.

The Group actively participates in education industry summits to promote cooperation and exchanges with various institutions. In order to improve the level of teaching research and teaching, Edukeys Group actively participates in international education academic and curriculum seminars, continuously innovates school-based curriculum R&D, and provides study abroad solution guidance for students' further studies.

The Group requires its employees to abide by local laws and regulations, and respect local culture and customs. The Group abides by the laws and regulations to protect employees' wages and benefits, arranges holidays in accordance with legal regulations, advocates employees' work-life balance, and encourages employees to have annual health examinations and strengthen physical exercise and pay attention to their own health. The Group continues to promote energy conservation and emissions reduction, cost reduction and efficiency improvement, advocates waste classification and green travel to respond to stakeholder concerns and promote sustainable community development.

9. FUTURE PROSPECT

Looking forward, the Group will continue to invest time and resources to realise the Group's sustainable development philosophy with a top-down approach and to continuously understand the expectations and needs of our stakeholders. We look forward to further creating values from sustainable development for our stakeholders by improving policies and measures in four aspects: the provision of a new type of international education; being a people-oriented enterprise; operating in a sound manner; and protection of the environment.

With regard to new international education, the Group will continue to optimise and integrate quality education resources, expand the partnerships of our alliance schools, design innovative products, upgrade our further education services and provide personalised solutions for overseas study, by leveraging our brand and market influence.

With regard to our aim to be a people-oriented enterprise, the Group will advance the construction and development of teams of talents through the implementation of a series of human resources policies, aligning employees' personal growth with the Group's future development and ensuring that employees give full play to their capabilities while working for the Group and achieving mutual development with the Group.

With regard to sound operation, the Group will continue to perfect the relevant policies and measures to provide a healthy and safe work and study environment, striving to protect the safety and health of the Group's employees, customers and students.

With regard to environmental protection, the Group will integrate environmental values and education into the Group's operations, encouraging stakeholders of the Group to contribute to environmental protection to mitigate environmental impact.

The Group will actively fulfill corporate social responsibility and adhere to our sustainable development strategy. We will try our best to mitigate the environmental and social impact of our business operations and turn ESG risks into opportunities. In the meantime, we will work closely with our stakeholders, and continue to contribute to society through joint efforts.

10. PERFORMANCE DATA[1]

10.1 Environmental Performance Data

		For the year ended 31 December					
		2023		2022		2021	
Type	**Unit**	**Volume**	**Intensity (units/no. of employees)[2]**	**Volume**	**Intensity (units/no. of employees)[2]**	**Volume**	**Intensity (units/no. of employees)[2]**
Performance of pollutants emissions							
Air pollutants[3]							
Sulphur oxide (SO_x)	Kg	485.72	0.25	493.76	0.30	12,149.78	4.48
Nitrogen oxide (NO_x)	Kg	10,193.46	5.26	5,594.66	3.41	8,907.33	3.28
Particulate matter (PM)	Kg	1,687.42	0.87	503.06	0.31	21,725.69	8.01
Carbon monoxide (CO)	Kg	6,609.68	3.41	1,562.89	0.95	3,281.63	1.21
GHG Emissions							
Total GHG emissions[4]	Tonnes CO_2e	21,055.05	10.86	26,296.57	16.02	35,029.99	12.91
Direct GHG emissions (Scope 1)[5]	Tonnes CO_2e	1,002.32	0.52	302.40	0.18	6,225.00	2.29
Indirect GHG emissions from energy use (Scope 2)[6]	Tonnes CO_2e	20,073.70	10.36	26,015.15	15.85	29,297.10	10.79
Reduction of GHG emissions from planted trees (Scope 1)[7]	Tonnes CO_2e	20.98	0.01	20.98	0.01	492.11	0.18

1. Unless otherwise specified, (i) the business and time scope covered by the performance data for the 2023 Financial Year are the financial services business, education management and consultation business and automotive parts business in the 2023 Financial Year, and are consistent with the 2022 Financial Year; (ii) the business and time scope covered by the performance data for the year ended 31 December 2021 are the financial services business, education management and consultation business and automotive parts business from 1 January 2021 to 31 December 2021, and the education operation business from 1 January 2021 to 31 August 2021.
2. For the years ended 31 December 2023 and 2022, the number of employees used for the density of the environmental performance indicators was the number of employees at the end of relevant year. For the year ended 31 December 2021, the intensity of the environmental performance indicator was calculated using the Full-time equivalents ("**FTE**") method, which was 2,714 and included the number of employees of the financial services business, education management and consultation business and automotive parts business at the end of the year (the FTE of part-time employees was calculated at 0.5 per person), and the FTE of the education operation business from 1 January 2021 to 31 August 2021.
3. The calculation methods and related emission factors of air pollutants emitted by stationary sources, non-road mobile sources and on-road mobile sources were referenced to the *Discharge Coefficients of Industrial Pollutants in the First National General Survey of Pollution Sources* and the *Discharge Coefficients of Urban Life Pollutants in the First National Survey of Pollution Sources* issued by the Institute of Standards of the Ministry of Ecology and Environment of the PRC, the *Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* and the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the PRC, and the *EMEP/EEA Air Pollutant Emission Inventory Guidebook 2016* issued by the European Environment Agency. The air pollutants of the use of boilers from the automotive parts business were recorded by a monitoring system.
4. The total GHG emissions were calculated to include the Group's direct GHG emissions (Scope 1) and indirect GHG emissions from electricity (Scope 2), with the deduction of emissions due to planted trees (Scope 1).
5. Direct GHG emissions (Scope 1) were calculated using the calculation methods and relevant emission factors with reference to the *How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs* issued by the Stock Exchange.
6. The calculation method of indirect GHG emissions (Scope 2) generated by electricity consumption in the 2023 Financial Year and the calculation of related emission coefficients are based on the *Corporate Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Power Generation Facilities (2022 revised edition)* issued by the Ministry of Ecology and Environment of the PRC and the 2022 Sustainability Report issued by HK Electric Investments Limited. For the years ended 31 December 2022 and 2021, indirect GHG emissions from energy use (Scope 2) were calculated using calculation methods and relevant emission factors with reference to the *2019 China Regional Grid Baseline Emission Factor for Emission Reduction Project* issued by the Ministry of Ecology and *Environment of the PRC and the Sustainability Report 2021* issued by the HK Electric Investments Limited.
7. The GHG emissions reduced from the planted trees (Scope 1) were calculated with reference to the *How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs* issued by the Stock Exchange.

Type	Unit	For the year ended 31 December 2023 Volume	2023 Intensity (units/no. of employees)[2]	2022 Volume	2022 Intensity (units/no. of employees)[2]	2021 Volume	2021 Intensity (units/no. of employees)[2]
Performance of pollutants emissions (Continued)							
Hazardous wastes[8]							
Waste oil containers and waste mineral oil	Tonnes	14.40	7.43×10^{-3}	14.40	8.78×10^{-3}	14.40	5.31×10^{-3}
Hazardous sludge generated from the wastewater treatment facilities	Tonnes	12.00	6.19×10^{-3}	12.00	7.31×10^{-3}	12.00	4.42×10^{-3}
Paint waste	Tonnes	12.00	6.19×10^{-3}	12.00	7.31×10^{-3}	12.00	4.42×10^{-3}
Laboratory waste from schools	Tonnes					0.18	6.63×10^{-5}
Medical waste	Tonnes					3.54	1.30×10^{-3}
Waste mercury-containing tubes	Pieces	48.00	0.02	48.00	0.03	1,557.00	0.57
Ink or toner cartridge	Pieces	32.00	0.02	30.00	0.02	167.00	0.06
Waste battery	Pieces	213.00	0.11	129.00	0.08	2,095.00	0.77
Non-hazardous wastes[9]							
Total non-hazardous wastes	Tonnes	2,754.37	1.42	2,785.32	1.70	6,687.17	2.46
Domestic waste	Tonnes	10.26	5.29×10^{-3}	10.01	6.10×10^{-3}	2,839.51	1.05
Food waste	Tonnes	5.76	2.97×10^{-3}	5.76	3.51×10^{-3}	750.96	0.28
Paper	Tonnes	42.13	0.02	45.56	0.03	101.32	0.04
Non-hazardous sludge generated from the wastewater treatment facilities	Tonnes	12.00	6.19×10^{-3}	12.00	7.31×10^{-3}	23.01	8.48×10^{-3}
Waste oil	Tonnes	0.60	3.10×10^{-4}	0.60	3.66×10^{-4}	0.60	2.21×10^{-4}
Plastic	Tonnes	16.07	8.29×10^{-3}	15.53	9.46×10^{-3}	22.97	8.46×10^{-3}
Metal	Tonnes	4.31	2.22×10^{-3}	4.37	2.66×10^{-3}	4.69	1.73×10^{-3}
Glass	Tonnes					0.03	1.11×10^{-5}
Iron	Tonnes	2,657.40	1.37	2,684.96	1.64	2,934.03	1.08
Wood	Tonnes	5.84	3.01×10^{-3}	6.53	3.98×10^{-3}	10.05	3.70×10^{-3}

8. The data scope of waste oil containers and waste mineral oil, hazardous sludge generated from the wastewater treatment facilities and paint waste only includes the automotive parts business; the data scope of school laboratory waste and medical waste only includes the education operation business.
9. The data scope of non-hazardous sludge generated from the wastewater treatment facilities includes the automotive parts business and education operation business; the data scope of waste oil only includes the automotive parts business; the data scope of glass only includes the education operation business.

Type	Unit	For the year ended 31 December 2023 Volume	2023 Intensity (units/no. of employees)[2]	2022 Volume	2022 Intensity (units/no. of employees)[2]	2021 Volume	2021 Intensity (units/no. of employees)[2]
Performance of pollutants emissions (Continued)							
Recyclable goods							
Recyclable goods (including non-hazardous wastes such as food waste, paper, waste oil, plastic and metal)	Tonnes	2,738.35	1.41	2,756.95	1.68	3,073.08	1.13
Percentage of non-hazardous waste recycled	Percentage	99.42%		98.98%		45.95%	
Wastewater[10]							
Total wastewater	Tonnes	80,416.00	41.49	77,694.00	47.35	874,171.00	322.10
Industrial wastewater	Tonnes	73,216.00	37.78	70,494.00	42.96	70,328.00	25.91
Domestic Sewage	Tonnes	7,200.00	3.72	7,200.00	4.39	803,843.00	296.18
Use of Resources							
Energy[11]							
Electricity	kWh in '000s	35,187.07	18.16	28,875.05	17.60	34,358.47	12.66
Gasoline	Litres	17,138.00	8.84	20,826.40	12.69	83,340.57	30.71
Diesel	Litres	364,227.00	187.94	94,205.40	57.41	145,529.31	53.62
Natural gas	m^3	45,112.30	23.28	82,340.00	50.18	909,324.00	335.05
Coal	Tonnes					1,420.78	0.52
Wood	Tonnes					20.00	7.37×10^{-3}
Hot water	Tonnes					45,379.00	16.72

10. The data scope of wastewater includes the education operation business and automotive parts business. Since the domestic sewage generated by offices of the financial services business was discharged through municipal pipelines and was controlled by third-party property management companies, relevant data was not included into the data scope.
11. The data scope of coal, wood and hot water only includes the education operation business.

Type	Unit	For the year ended 31 December 2023 Volume	2023 Intensity (units/no. of employees)[2]	2022 Volume	2022 Intensity (units/no. of employees)[2]	2021 Volume	2021 Intensity (units/no. of employees)[2]
Use of Resources (Continued)							
Water[12]							
Municipal water	Tonnes	3.60	1.90×10^{3}	8.00	4.90×10^{3}	856,786.20	315.69
Groundwater	Tonnes	48,909.00	25.24	79,647.00	48.54	60,282.00	22.21
Wastewater reused	Tonnes	17,142.00	8.85	58,724.00	35.79	101,784.00	37.50
Paper							
Paper	Tonnes	74.84	0.04	70.45	0.04	75.07	0.03
Use of packaging materials[13]							
Paper	Tonnes	93.20	7.48×10^{-6}	1,808.00	2.06×10^{-4}	1,101.00	1.58×10^{-4}
Metal	Tonnes	1,690.00	1.36×10^{-4}	2,750.00	3.13×10^{-4}	1,589.00	2.28×10^{-4}
Plastic	Tonnes	105.00	8.43×10^{-6}	123.00	1.40×10^{-5}	98.00	1.41×10^{-5}
Wood	Tonnes	750.00	6.02×10^{-5}	889.00	1.01×10^{-4}	709.00	1.02×10^{-4}
Shared logistics boxes	Tonnes	4,284.00	3.44×10^{-4}	3,681.00	4.19×10^{-4}	2,796.00	4.02×10^{-4}

12. The data scope of groundwater and wastewater reused includes the education operation business and the automotive parts business. Since the municipal water generated by offices of the financial services business was supplied through municipal pipelines and was controlled by third-party property management companies, relevant data was not included into the data scope.
13. The data scope only includes the packaging materials used by the automotive parts business.

10.2 Social Performance Data

Item			Unit	2023 No.	2023 Rate	2022 No.	2022 Rate	2021 No.	2021 Rate
				As at 31 December					
Total Workforce									
No. and rate of employees	Total		Employee	1,938	100.00%	1,641	100.00%	1,447	100.00%
	By gender	Male	Employee	1,315	67.85%	1,153	70.26%	989	68.35%
		Female	Employee	623	32.15%	488	29.74%	458	31.65%
	By employment category	Senior management	Employee	29	1.50%	27	1.65%	21	1.45%
		Middle management	Employee	125	6.45%	113	6.89%	119	8.22%
		General	Employee	1,784	92.05%	1,501	91.47%	1,307	90.32%
	By employment type	Full-time	Employee	1,938	100.00%	1,633	99.51%	1,445	99.86%
		Part-time	Employee	0	0.00%	8	0.49%	2	0.14%
	By age group	Age 30 and below	Employee	377	19.45%	286	17.43%	194	13.41%
		31-40	Employee	800	41.28%	659	40.16%	575	39.74%
		41-50	Employee	497	25.64%	460	28.03%	435	30.06%
		Age 51 and above	Employee	264	13.62%	236	14.38%	243	16.79%
	By geographical region	China	Employee	1,903	98.19%	1,599	97.44%	1,418	98.00%
		Outside China	Employee	35	1.81%	42	2.56%	29	2.00%

Item			Unit	As at 31 December 2023 No.	2023 Rate	2022 No.	2022 Rate	2021 No.	2021 Rate
Employee Turnover[14]									
No. and rate of employee turnover	Total		Employee	284	15.20%	208	13.44%	195	8.19%
	By gender	Male	Employee	217	17.23%	160	14.91%	145	10.28%
		Female	Employee	67	10.99%	48	10.12%	50	5.15%
	By employment category	Senior management	Employee	3	9.68%	–	–	–	–
		Middle management	Employee	11	8.91%	13	11.21%	12	7.64%
		General	Employee	270	15.75%	195	13.88%	183	8.36%
	By age group	Age 30 and below	Employee	124	38.33%	72	29.63%	58	11.37%
		31-40	Employee	113	14.55%	101	16.36%	97	11.12%
		41-50	Employee	35	7.04%	21	4.69%	33	5.35%
		Age 51 and above	Employee	12	4.42%	14	5.85%	7	1.83%
	By geographical region	China	Employee	272	14.86%	199	13.19%	183	7.78%
		Outside China	Employee	12	30.77%	9	23.08%	12	39.34%
Development and Training [14]									
No. and percentage of employees trained	Total		Employee	1,707	91.33%	1,510	97.58%	1,423	59.75%
	By gender	Male	Employee	1,148	91.15%	1,069	99.63%	978	69.36%
		Female	Employee	559	91.71%	441	92.94%	445	45.81%
	By employment category	Senior management	Employee	20	64.52%	18	67.92%	18	50.70%
		Middle management	Employee	108	87.45%	110	94.83%	113	71.97%
		General	Employee	1,579	92.10%	1,382	98.36%	1,292	59.02%
Average no. of training hours per employee	Total average hour		Hour	6.55		86.98		63.11	
	By gender	Male	Hour	6.65		79.18		70.82	
		Female	Hour	6.33		104.61		51.91	
	By employee category	Senior management	Hour	24.82		12.49		22.59	
		Middle management	Hour	31.79		44.31		55.21	
		General	Hour	4.40		91.90		64.33	
Occupational Health and Safety [14]									
No. and rate of work-related fatalities			Employee	–	–	–	–	–	–
No. and rate of work injury			Employee	5	0.27%	6	0.39%	5	0.21%
No. of lost days due to work injury			Day	231		102		612	

14. The number of employees used for calculating the social performance indicators (including employee turnover rate, rate of employees trained, rate of work-related fatalities or injuries) is the average of the number of employees of specific group at the beginning and at the end of the respective years.

Item			Unit	2023 No.	2023 Rate	2022 No.	2022 Rate	2021 No.	2021 Rate
				As at 31 December					
Supply Chain Management									
No. and percentage of suppliers	Total		Supplier	104	100.00%	139	100.00%	115	100.00%
	By geographical region	China	Supplier	86	82.69%	116	83.45%	93	80.87%
		Outside China	Supplier	18	17.31%	23	16.55%	22	19.13%
Product Responsibility									
Complaints received concerning products or services	No. of complaints received		Case	–		–		109	
	No. and rate of complaints resolved		Case	–		–		109	100.00%
Total products sold or shipped			Piece	12,451,976		8,786,175		6,954,500	
Products sold or shipped subject to recalls for safety and health reasons [15]	No. and rate of total products subject to recalls for safety and health reasons		Piece	–	–	–	–	41,300	0.59%
Anti-corruption									
No. of concluded legal cases regarding corrupt practices brought against the Group or our employees			Case	–	–	–	–	–	–
Community Investment									
Donation amount			RMB'000	224		320		1,100	
Employees' volunteering hours			Hour	1,910		180		3,778	

15. The data scope only includes the automotive parts business.

11. LISTS OF LAWS AND REGULATIONS

Laws and regulations that have a significant impact on the Group's operations in China and Hong Kong are as follows:

ESG Aspects	China	Hong Kong
Environmental	Environmental Protection Law of the PRC Law of the PRC on Environmental Impact Assessment Environmental Protection Tax Law of the PRC Regulation on the Implementation of the Environmental Protection Tax Law of the PRC Atmospheric Pollution Prevention and Control Law of the PRC Water Pollution Prevention and Control Law of the PRC Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes Law of the PRC on Prevention and Control of Pollution from Environmental Noise	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)
Employment and labour standards	Labour Law of the PRC Labour Contract Laws of the PRC Social Insurance Law of the PRC Law of the PRC on the Protection of Minors Provisions on the Prohibition of Using Child Labour	Employment Ordinance (Chapter 57 of the Laws of Hong Kong) Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong)
Workplace health and safety	Law of the PRC on the Prevention and Control of Occupational Diseases Production Safety Law of the PRC Fire Protection Regulation of the PRC Regulation on the Safety Management of Hazardous Chemicals Regulations on Safety Supervision over Special Equipment	Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

ESG Aspects	China	Hong Kong
Product responsibility	Copyright Law of the PRC	Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)
	Patent Law of the PRC	Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)
	Trademark Law of the PRC	Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)
	Product Quality Law of the PRC	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
	Civil Code of the PRC Teachers Law of the PRC Education Law of the PRC	
Anti-corruption	Anti-money Laundering Law of the PRC Interim Provisions of the State Administration for Industry and Commerce on Banning Commercial Bribery	Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) Independent Commission Against Corruption Ordinance (Chapter 204 of the Laws of Hong Kong) Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

12. ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs	Description	Relevant Sections of the ESG Report
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7.1
KPI A1.1	The types of emissions and respective emissions data.	10.1
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
KPI A1.5	Description of the emission target(s) set and steps taken to achieve them.	7.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of the waste reduction goals established and the steps taken to achieve them.	7.1

General Disclosures and KPIs	Description	Relevant Sections of the ESG Report
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	10.1
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10.1
KPI A2.3	Description of the energy use efficiency target(s) set and steps taken to achieve them.	7.2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	10.1
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	7.2
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2
Aspect A4: Climate change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.3
KPI A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.3

General Disclosures and KPIs	Description	Relevant Sections of the ESG Report
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1, 6.2 and 6.3
KPI B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	10.2
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	10.2
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.4
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year).	6.4 and 10.2
KPI B2.2	Lost days due to work injury.	10.2
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.4

General Disclosures and KPIs	Description	Relevant Sections of the ESG Report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.5
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	10.2
KPI B3.2	The average training hours completed per employee by gender and employee category.	10.2
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	6.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	6.1
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 and 5.2
KPI B5.1	Number of suppliers by geographical region.	10.2
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 and 5.2
KPI B5.3	Description of the practices for identifying environmental and social risks in each segment of the supply chain, and how they are implemented and monitored.	5.1 and 5.2
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2

General Disclosures and KPIs	Description	Relevant Sections of the ESG Report
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.4, 4.3, 5.1 and 5.2
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	10.2
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.1, 5.2 and 10.2
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.4 and 5.2
KPI B6.4	Description of quality assurance process and recall Procedures.	5.2
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.4 and 5.1
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.4, 4.3, 5.1 and 5.2
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.4 and 10.2
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	2.4, 4.3, 5.1 and 5.2
KPI B7.3	Description of anti-corruption training provided to directors and staff.	2.4
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8
KPI B8.2	Resources contributed (e.g. money or time) to the focused area.	8 and 10.2

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 116 to 222, which comprise:

– the consolidated statement of financial position as at 31 December 2023;

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

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

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

– the notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

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 set out in Note 2.1.1 to the consolidated financial statements, the Group reported a loss attributable to owners of the Company of approximately RMB347 million for the year ended 31 December 2023. As at 31 December 2023, the Group had accumulated losses and deficit in equity of approximately RMB1,617 million and approximately RMB1,418 million, respectively and the Group's current liabilities exceeded its current assets by approximately RMB1,810 million. As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,648 million, of which the total current borrowings and convertible bonds amounted to approximately RMB2,266 million, while its bank balances and cash amounted to approximately RMB172 million only. In addition, as at 31 December 2023, the total outstanding principals and accrued interests of borrowings and convertible bonds amounted to approximately RMB1,529 million were in default due to late or overdue payment and were classified as current liabilities, of which a winding-up petition was presented by a debenture holder to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal and the accrued interests of the debenture in an aggregate amount of approximately HK$13 million (equivalent to approximately RMB11 million) and was awaiting court hearing.

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 over about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the holders of the convertible bonds for the extension of the repayment date and/or to introduce debt capitalisation plans; (ii) the successful negotiations with lenders of borrowings which were overdue or will be due within twelve months from the date of the statement of financial position for the renewal, extension of the repayment date and/or to introduce debt capitalisation plans, including the principals and interests; (iii) the successful capital injection from new investors; (iv) the successful obtaining of additional sources of financing as and when needed; (v) the successful divesting the Group's non-core and non-operating assets in the expected timeframe; and (vi) managing the Group's operational efficiency and implementing cost control measures to generate sufficient cash inflow.

Should the Group fail to achieve the above-mentioned 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Kwok Chi Kan
Practising Certificate Number: P06958

Hong Kong, 27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**1,833,720**	1,199,912
Cost of sales and services		**(1,432,595)**	(997,802)
Gross profit		**401,125**	202,110
Other income and expenses	7	**64,911**	45,969
Other losses, net	8	**(13,511)**	(199,315)
Expected credit losses ("**ECL**"), net of reversal		**(247,476)**	(16,192)
Selling and distribution expenses		**(62,009)**	(55,348)
Research and development expenditure		**(104,344)**	(64,509)
Administrative expenses		**(154,807)**	(136,771)
Operating losses		**(116,111)**	(224,056)
Finance costs	11	**(161,070)**	(198,278)
Share of results of associates	17(d)	**(5,524)**	(1,978)
Share of results of joint ventures	18	**(54,700)**	(21,361)
Impairment losses on interests in joint ventures		**–**	(12,862)
Fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")		**(33,130)**	(23,423)
Fair value changes of derivative financial liabilities	30	**4,307**	62,216
Day one fair value loss on issue of convertible bonds		**–**	(167)
Loss before income tax	9	**(366,228)**	(419,909)
Income tax credit	12	**239**	333
Loss for the year		**(365,989)**	(419,576)
Other comprehensive (loss)/income			
Item that may not be reclassified subsequently to profit or loss:			
Currency translation differences		**(30,865)**	80,461
Other comprehensive (loss)/income for the year, net of income tax		**(30,865)**	80,461
Total comprehensive loss for the year		**(396,854)**	(339,115)

	Notes	2023 RMB'000	2022 RMB'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(347,172)**	(420,736)
Non-controlling interests		**(18,817)**	1,160
		(365,989)	(419,576)
Total comprehensive (loss)/profit for the year attributable to:			
Owners of the Company		**(377,933)**	(340,160)
Non-controlling interests		**(18,921)**	1,045
		(396,854)	(339,115)
Loss per share attributable to owners of the Company (RMB)	14		
Basic loss per share		**(0.19)**	(0.28)
Diluted loss per share		**(0.19)**	(0.28)

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 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**479,952**	485,868
Right-of-use assets	16(i)	**130,330**	122,217
Interests in associates	17	**23,144**	4,527
Interests in joint ventures	18	**65,727**	140,444
Intangible assets	19	**139,049**	143,282
Other receivables	22	**8,433**	8,494
		846,635	904,832
Current assets			
Inventories	24	**146,302**	147,129
Amounts due from joint ventures	23	**92,573**	139,523
Amount due from an associate	17(e)	**4,353**	81,307
Trade and other receivables	22	**1,009,695**	768,116
Loans and interests receivables	25	**49,160**	6,373
Financial assets measured at FVTPL	21	**241,843**	293,878
Security account balances	26	**–**	9
Restricted bank balances	27	**245,134**	248,675
Bank balances and cash	27	**171,613**	161,356
		1,960,673	1,846,366
Total assets		**2,807,308**	2,751,198
LIABILITIES			
Non-current liabilities			
Other payables	28	**–**	137
Borrowings	29	**381,560**	566,559
Lease liabilities	16(ii)	**8,164**	1,901
Deferred income	31	**30,386**	35,157
Deferred tax liabilities	20	**34,668**	36,420
		454,778	640,174

	Notes	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	28	**1,357,862**	1,289,620
Borrowings	29	**1,307,653**	854,698
Convertible bonds	30	**958,540**	860,350
Derivative financial liabilities	30	**–**	4,236
Lease liabilities	16(ii)	**10,819**	6,039
Income tax payable		**26,468**	55,050
Deferred income	31	**5,049**	5,433
Contract liabilities	5(iv)	**45,595**	6,365
Provisions	32	**58,359**	56,085
		3,770,345	3,137,876
Total liabilities		**4,225,123**	3,778,050
Net current liabilities		**(1,809,672)**	(1,291,510)
Total assets less current liabilities		**(963,037)**	(386,678)
Net liabilities		**(1,417,815)**	(1,026,852)
OWNERS' EQUITY			
Share capital	33	**155,959**	144,631
Reserves		**(1,625,264)**	(1,241,894)
Equity attributable to:			
Owners of the Company		**(1,469,305)**	(1,097,263)
Non-controlling interests		**51,490**	70,411
Total deficit in equity		**(1,417,815)**	(1,026,852)

The consolidated financial statements on pages 116 to 222 were approved by the board of directors of the Company on 27 March 2024 and were signed on its behalf.

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	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 deficit in equity RMB'000
Balance at 1 January 2022	112,290	31,495	56,832	40,628	4,360	(191,269)	31,348	(944,428)	(971,034)	70,579	(788,165)
(Loss)/profit for the year	–	–	–	–	–	–	–	(420,736)	(420,736)	1,160	(419,576)
Other comprehensive income/(loss)											
Currency translation difference	–	–	–	–	–	80,576	–	–	80,576	(115)	80,461
Total comprehensive income/(loss) for the year	–	–	–	–	–	80,576	–	(420,736)	(340,160)	1,045	(339,115)
Issuance of shares upon settlement of borrowings (Note 33)	14,156	53,310	–	–	–	–	–	–	53,310	–	67,466
Issuance of shares upon conversion of convertible bonds (Note 33)	18,185	15,990	–	–	–	–	–	–	15,990	–	34,175
Disposal of a subsidiary (Note 34)	–	–	–	–	–	–	–	–	–	(1,213)	(1,213)
Balance at 31 December 2022	144,631	100,795	56,832	40,628	4,360	(110,693)	31,348	(1,365,164)	(1,241,894)	70,411	(1,026,852)
Balance at 1 January 2023	144,631	100,795	56,832	40,628	4,360	(110,693)	31,348	(1,365,164)	(1,241,894)	70,411	(1,026,852)
Loss for the year	–	–	–	–	–	–	–	(347,172)	(347,172)	(18,817)	(365,989)
Other comprehensive loss											
Currency translation difference	–	–	–	–	–	(30,761)	–	–	(30,761)	(104)	(30,865)
Total comprehensive loss for the year	–	–	–	–	–	(30,761)	–	(347,172)	(377,933)	(18,921)	(396,854)
Issuance of shares upon settlement of borrowings (Note 33)	11,328	(5,437)	–	–	–	–	–	–	(5,437)	–	5,891
Transferred share premium to accumulated losses (Note d)	–	(95,358)	–	–	–	–	–	95,358	–	–	–
Balance at 31 December 2023	155,959	–	56,832	40,628	4,360	(141,454)	31,348	(1,616,978)	(1,625,264)	51,490	(1,417,815)

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 subsidiaries disposed of in prior year.

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

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

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

(d) Pursuant to a resolution passed by the board of directors on 12 December 2023, all amount of approximately RMB95,358,000 standing to the credit of the share premium account was reduced and cancelled and that of the credit arising from the share premium reduction be applied to offset the accumulated losses of the Company as at 31 December 2023.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operating activities	38(a)	**(99,439)**	49,618
Income tax (paid)/refunded		**(30,095)**	5,919
Net cash (used in)/generated from operating activities		**(129,534)**	55,537
Cash flows from investing activities			
Payments for property, plant and equipment	15	**(37,839)**	(49,596)
Payments for acquisition of intangible assets	19	**(2,822)**	(369)
Interest received		**5,065**	13,680
Dividends received from financial assets measured at FVTPL		**1,820**	3,035
Net cash inflows from disposal of a subsidiary	34	**–**	3,441
Purchase of financial assets measured at FVTPL		**(110,966)**	(19,701)
Proceeds from disposal of property, plant and equipment		**607**	–
Proceeds from disposal of financial assets measured at FVTPL		**130,568**	94,278
Proceeds from disposal of an associate		**270**	–
Amounts due from joint ventures		**4,354**	65,948
Amount due from an associate		**–**	(11,498)
Loan to an independent third party		**(37,200)**	–
Net cash (used in)/generated from investing activities		**(46,143)**	99,218
Cash flows from financing activities			
Interest paid	38(b)	**(29,235)**	(44,348)
Principal elements of lease payments	38(b)	**(7,972)**	(10,103)
Interest elements of lease payments	38(b)	**(811)**	(344)
New borrowings raised	38(b)	**552,226**	595,246
Repayment of borrowings	38(b)	**(329,204)**	(739,399)
Repayment to holder of convertible bonds	30	**–**	(25,767)
Net cash generated from/(used in) financing activities		**185,004**	(224,715)
Net increase/(decrease) in cash and cash equivalents		**9,327**	(69,960)
Cash and cash equivalents at beginning of year		**161,365**	228,096
Effect of foreign exchange rate changes		**921**	3,229
Cash and cash equivalents at end of year	27	**171,613**	161,365

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 40(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 (the "**Directors**") on 27 March 2024.

2 SUMMARY OF MATERIAL 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

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

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern

For the year ended 31 December 2023, the Group reported a loss attributable to owners of the Company of approximately RMB347 million (31 December 2022: approximately RMB421 million). As at 31 December 2023, the Group had accumulated losses and deficit in equity of approximately RMB1,617 million and approximately RMB1,418 million, respectively (31 December 2022: approximately RMB1,365 million and approximately RMB1,027 million, respectively) and the Group's current liabilities exceeded its current assets by approximately RMB1,810 million (31 December 2022: approximately RMB1,292 million). As at the same date, the Group's total borrowings and convertible bonds amounted to approximately RMB2,648 million (31 December 2022: total borrowings and convertible bonds, including derivative financial liabilities, amounted to approximately RMB2,286 million), of which the total current borrowings and convertible bonds amounted to approximately RMB2,266 million (31 December 2022: approximately RMB1,715 million), while its bank balances and cash amounted to approximately RMB172 million (31 December 2022: approximately RMB161 million) only. In addition, as at 31 December 2023, the total outstanding principals and accrued interests of borrowings and convertible bonds amounted to approximately RMB1,529 million (31 December 2022: approximately RMB388 million) were in default due to late or overdue payment and were classified as current liabilities, of which a winding-up petition was presented by a debenture holder to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal and the accrued interests of the debenture in an aggregate amount of approximately HK$13 million (equivalent to approximately RMB11 million) and was awaiting court hearing.

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

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 convertible bonds amounted to approximately RMB959 million were due for repayment on 15 May 2023. The Group has been actively negotiating with the holders of the convertible bonds for the extension of the repayment date and to introduce debt capitalisation plans;

(ii) The Group has been actively negotiating with lenders of borrowings amounted to approximately RMB1,308 million which were overdue or will be due within twelve months from the date of the statement of financial position, for the renewal, extension of repayment and/or to introduce debt capitalisation plans;

(iii) The Group has been actively negotiating with potential investors to introduce new capital and business opportunities with strong profitability and good development prospects to improve its cash flow position;

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern *(Continued)*

(iv) The Group has been actively seeking for additional sources of financing, including banks borrowings, placement of shares and etc;

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

(vi) The Group continues to strengthen the operation and management for each business unit to improve operational efficiency and implement cost control measures to improve its cash flow position.

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 2023. They are of the opinion that, taking into account the above-mentioned 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 successful fulfilment of the following plans:

(i) negotiating with the holders of the convertible bonds for the extension of the repayment date and/or to introduce debt capitalisation plans;

(ii) negotiating with lenders of borrowings which were overdue or will be due within twelve months from the date of statement of financial position for the renewal, extension of the repayment date and/or to introduce debt capitalisation plans;

(iii) capital injection from new investors;

(iv) obtaining additional sources of financing as and when needed;

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

(vi) managing the Group's operational efficiency and implementing cost control measures.

Should the Group fail to achieve the above-mentioned 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 MATERIAL 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 their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)
HKAS 8	Definition of Accounting Estimates (Amendments)
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (Amendments)
HKAS 12	International Tax Reform – Pillar Two Model Rules (Amendments)
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these amendments has had no significant impact on the results and financial position of the Group. The Group has not changed significantly on its material accounting policies or make retrospective adjustments as a result of adopting these amendments.

(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
HKAS 1	Classification of Liabilities as Current or Non-current (Amendments)	1 January 2024
HKAS 1	Non-current Liabilities with Covenants (Amendments)	1 January 2024
HKFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (Amendments)	1 January 2024
HKAS 21	Lack of Exchangeability (Amendments)	1 January 2025
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	To be determined

2 SUMMARY OF MATERIAL 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 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(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.

(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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(v) Changes in ownership interests *(Continued)*

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.

2.3 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.

2.4 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.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

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

- all resulting exchange differences are recognised in other comprehensive income.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

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.

(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.

2.6 Property, plant and equipment

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

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

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

Buildings	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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.6 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.

2.7 Intangible assets

(i) 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.

(ii) 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

(ii) Software *(Continued)*

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.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) 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.

(iv) Amortisation methods and periods

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

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

2.8 Impairment of non-financial assets

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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

(i) Classification

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

- those to be measured subsequently at fair value 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.

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

(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.

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 two 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 and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

(ii) FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income 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 as separate line item in the statement of profit or loss and other comprehensive income in the period in which it arises.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(iii) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value and where the Group's management does not elect to present fair value gains and losses on equity investments in OCI. Dividends from such investments are recognised in profit or loss as other losses, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are presented as separate line item in the statement of profit or loss and other comprehensive income as applicable.

(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.

2.10 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.10 Financial liabilities *(Continued)*

(b) Derecognition *(Continued)*

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.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the 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.

2.12 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.

2.13 Trade receivables

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

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

2.14 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 statement of financial position.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 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.

2.17 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.

Borrowings are removed from the statement of financial position 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 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.

Borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.18 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.

2.19 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

2.19 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.

2.20 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(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.

2.21 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.

2.22 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

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

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

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

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

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

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

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 management and consultancy services to educational institutions

The payment terms differed for different customers due to the variety of revenue streams. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

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, 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 provision of management and consultancy services to educational institutions by 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.

For provision of overseas study consultation services to students, revenue is recognised at a point in time when the Group has fulfilled its performance obligation, i.e. when the students have accepted offer from overseas universities.

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.

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.

2.23 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.23 Earnings per share *(Continued)*

(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.

2.24 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.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

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.

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.25 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.

2.26 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).

2.27 Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme and share award scheme. Information relating to the scheme is set out in Note 39.

Share options

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The 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 21% (2022: 37%) higher/lower, loss for the year ended 31 December 2023 would have decreased/increased by RMB32,988,000 (2022: RMB84,585,000). 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 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 2023, for companies with RMB as their functional currency, if HK$ had weakened/strengthened by 5% against RMB, with all other variables held constant, loss for the year would have been approximately RMB1,670,000 (2022: RMB2,617,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of financial assets denominated in HK$.

For companies with HK$ as their functional currency, if Singapore dollar ("**SGD**") had weakened/strengthened by 5% against the HK$, with all other variables held constant, loss for the year would have been approximately RMB841,000 higher/lower (2022: RMB531,000), mainly as a result of foreign exchange losses/gains on translation of financial assets denominated in SGD.

The Group has minimal exposure to foreign exchange risk between US$ and HK$ as they are linked between each other under the Linked Exchange Rate System. Accordingly, no sensitivity analysis is performed.

(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 loans 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 2023 would have decreased/increased by approximately RMB417,000 (2022: RMB483,000).

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 2023 would have increased/decreased by approximately RMB447,000 (2022: RMB608,000).

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, bills receivables, deposits and other receivables, loans and interests receivables, amounts due from joint ventures, amount due from an associate, and bank balances. 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 ECL, trade receivables have been grouped 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 ECL rates to the respective gross carrying amounts of the receivables.

The Group applies the general approach in HKFRS 9 to measure the ECL 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 ECL 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 ECL 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 ECL 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 ECL is recognised as loss allowance.

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 Company'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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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.

Trade receivables resulting from transactions within the scope of HKFRS 15

As at 31 December 2023, the Group is exposed to concentration of credit risk as 58% (2022: 63%) of the total trade receivables were due from largest 10 customers and the top customer accounted for 14% (2022: 22%) 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 ECL based on life-time basis. The expected loss rates are based on a benchmarking default rate for debtors under similar credit quality, or the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within the period. 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, unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

On that basis, the loss allowance for trade receivables resulting from transactions within the scope of HKFRS 15 as at 31 December 2023 and 2022 was determined as follows:

	Expected loss rate	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000
As at 31 December 2023				
Trade receivables	**20.0%**	**866,850**	**(173,625)**	**693,225**
As at 31 December 2022				
Trade receivables	7.8%	485,568	(38,044)	447,524

The increase in the loss allowance as at 31 December 2023 was due to increase in long aged outstanding trade receivables balances.

Impairment losses on trade receivables are presented as "ECL, 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:

	2023 **RMB'000**	2022 RMB'000
Loss allowance at 1 January	**38,044**	40,252
Provision for/(reversal of) ECL, net	**188,699**	(2,208)
Written-off as uncollectible	**(53,118)**	–
Loss allowance at 31 December	**173,625**	38,044

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Deposits and other receivables, loans and interests receivables, amounts due from joint ventures, and amount due from an associate

The Group adopted general approach for ECL of amounts due from joint ventures, amount due from an associate, deposits and other receivables, and loans and interests receivables.

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

As at 31 December 2023	**12-month ECL RMB'000**	**Lifetime ECL RMB'000**	**Total RMB'000**
Amounts due from joint ventures	**–**	**92,573**	**92,573**
Amount due from an associate	**4,353**	**–**	**4,353**
Deposits and other receivables	**58,116**	**25,495**	**83,611**
Loans and interests receivables	**49,160**	**–**	**49,160**
	111,629	**118,068**	**229,697**

As at 31 December 2022	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Amounts due from joint ventures	139,523	–	139,523
Amount due from an associate	81,307	–	81,307
Deposits and other receivables	113,348	54,247	167,595
Loans and interests receivables	6,373	–	6,373
	340,551	54,247	394,798

Impairment losses on deposits and other receivables, loans and interests receivables, amounts due from joint ventures, and amount due from an associate are presented as "ECL, 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)*

Deposits and other receivables, loans and interests receivables, amounts due from joint ventures, and amount due from an associate *(Continued)*

The movements of loss allowance for deposits and other receivables, loans and interests receivables, amounts due from joint ventures, and amount due from an associate are shown as follows:

For the year ended 31 December 2023	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January	7,615	42,921	50,536
(Reversal of)/provision for ECL, net	(29)	58,806	58,777
Exchange realignment	1,223	–	1,223
Loss allowance at 31 December	8,809	101,727	110,536

For the year ended 31 December 2022	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January	9,246	171,147	180,393
(Reversal of)/provision for ECL, net	(4,570)	22,870	18,300
Receivables written off as uncollectible	–	(155,031)	(155,031)
Exchange realignment	2,939	3,935	6,874
Loss allowance at 31 December	7,615	42,921	50,536

The increase in the loss allowance as at 31 December 2023 was due to moving assets being measured at 12-month ECL to lifetime ECL.

Bank balances and bills receivables

The credit risk on bank balances and bills receivables is limited because the counterparties are several reputable and creditworthy banks and financial institutions. 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, ECL rate of bank balances and bills receivables is assessed to be immaterial and no provision was made as at 31 December 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents which are generated from internal operations and having adequate amount of committed credit facilities.

As described in Note 2.1.1, the Directors closely monitors the Group's cash flow projections, which cover a period of not less than twelve months from 31 December 2023, to enable it to meet its liabilities and obligations through:

(i) negotiating with the holders of the convertible bonds for the extension of the repayment date and/or to introduce debt capitalisation plans;

(ii) negotiating with lenders of borrowings which were overdue or will be due within twelve months from the date of statement of financial position for the renewal, extension of the repayment date and/or to introduce debt capitalisation plans;

(iii) capital injection from new investors;

(iv) obtaining additional sources of financing as and when needed;

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

(vi) managing the Group's operational efficiency and implementing cost control measures.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2023						
Trade and other payables	**1,289,078**	**–**	**–**	**–**	**1,289,078**	**1,289,078**
Borrowings	**1,345,915**	**258,725**	**142,795**	**–**	**1,747,435**	**1,689,213**
Convertible bonds	**958,540**	**–**	**–**	**–**	**958,540**	**958,540**
Lease liabilities	**11,499**	**5,841**	**4,380**	**–**	**21,720**	**18,983**
	3,605,032	**264,566**	**147,175**	**–**	**4,016,773**	**3,955,814**
As at 31 December 2022						
Trade and other payables	1,212,925	137	–	–	1,213,062	1,213,062
Borrowings	856,619	365,278	263,007	13,340	1,498,244	1,421,257
Convertible bonds	907,841	–	–	–	907,841	860,350
Derivative financial liabilities	4,236	–	–	–	4,236	4,236
Lease liabilities	6,243	1,633	325	–	8,201	7,940
	2,987,864	367,048	263,332	13,340	3,631,584	3,506,845

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) 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 2023 and 2022.

As at 31 December 2023	**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	**157,087**	**–**	**–**	**157,087**
Unlisted equity investments	**–**	**579**	**53,079**	**53,658**
Unlisted fund investments	**–**	**27,098**	**–**	**27,098**
Wealth management products	**–**	**–**	**4,000**	**4,000**
	157,087	**27,677**	**57,079**	**241,843**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**–**	**–**	**–**	**–**

As at 31 December 2022	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	227,854	–	–	227,854
Unlisted equity investments	–	–	46,274	46,274
Unlisted fund investments	–	–	19,750	19,750
	227,854	–	66,024	293,878
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	–	(4,236)	(4,236)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) 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.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(i) Financial instruments in level 1

The financial assets of level 1 within the fair value hierarchy as at 31 December 2023 and 2022 were the listed equity investments included in financial assets at FVTPL. The fair value of these financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets of level 1 held by the Group is the current bid price.

(ii) Financial instruments in level 2

Fair values of unlisted funds investment included in level 2 have been determined based on observable market prices which are sourced from broker quotes as provided by financial institutions. Most significant inputs are observable market data including historical trading prices.

(iii) Financial instruments in level 3

Fair values of unlisted equity investments included in level 3 have been determined based on market approach.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation *(Continued)*

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

Specific valuation techniques used to value financial instruments include:

Financial assets	Fair value at 31 December 2023 RMB'000	2022 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Range of inputs
Financial assets measured at FVTPL – equity investments (unlisted company)	**33,804**	23,560	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments.	EV/S Multiples (2022: P/B Multiples; EV/S Multiples; P/S Multiple)	3.86x-4.71x (2022: 4.91x-4.95x)
Financial assets measured at FVTPL – equity investments (unlisted company)	**19,224**	22,176	Level 3	Comparable Company Model Comparable company is employed in deriving the fair value of the financial assets measured at FVTPL – equity investments.	EV/S Multiples (2022: Change in market capitalisation percentage)	4.71x (2022: 5.91%)
Financial assets measured at FVTPL – fund investments (unlisted company)	**–**	19,750	Level 3	Recent transactions	N/A	N/A
Financial assets measured at FVTPL – equity investments (unlisted company)	**51**	538	Level 3	Recent transactions	N/A	N/A
Financial assets measured at FVTPL – wealth management products	**4,000**	–	Level 3	Recent transactions	N/A	N/A

Valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes with the assistance of an independent valuer when necessary, including level 3 fair values. This team reports directly to the chief financial officer ("**CFO**"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once for every six months, in line with the Group's half-yearly reporting periods.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2023 and 2022.

	2023 RMB'000	2022 RMB'000
At 1 January	**66,024**	46,505
Additions	**4,051**	25,440
Disposals	**(20,288)**	(17,375)
Transfer to level 1 investment	**–**	(18,703)
Fair value gains recognised in the profit or loss	**7,292**	30,157
At 31 December	**57,079**	66,024

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 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Valuation techniques	Significant inputs	Range of inputs	Favourable/ (unfavourable) changes in profit or loss 2023 RMB'000	Favourable/ (unfavourable) changes in profit or loss 2022 RMB'000
(i) Equity investment (unlisted equity)	**33,804**	23,560	Market comparable	EV/S Multiples (2022: P/B Multiples; EV/S Multiples; P/S Multiples)	3.86x-4.71x (2022: 4.91x-4.95x)	**+/–5%** **+/–1,681**	+/–5% +/–735
(ii) Equity investment (unlisted equity)	**19,224**	22,176	Market comparable	EV/S Multiples (2022: Change in market capitalisation percentage)	4.71x (2022: 5.91%)	**+/–5%** **+/–813**	+/–5% +/–66

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) 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, convertible bonds and derivative financial liabilities), 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 borrowings and convertible bonds (including derivative financial liabilities) as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as "total deficit in equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Borrowings	**1,689,213**	1,421,257
Convertible bonds	**958,540**	860,350
Derivative financial liabilities	**–**	4,236
	2,647,753	2,285,843
Less: Bank balances and cash	**(171,613)**	(161,356)
Net debts	**2,476,140**	2,124,487
Total deficit in equity	**(1,417,815)**	(1,026,852)
Total capital	**1,058,325**	1,097,635
Gearing ratio	**234%**	194%

The gearing ratio increased from 194% to 234% was attributable to the extent of increase in total deficit outweighed the increase in net debts as at 31 December 2023.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

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) Going concern

The Group prepares cash flow projections that cover a period of not less than twelve months from 31 December 2023. Taking into account the plans and measures as described in Note 2.1.1, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. The consolidated financial statements are prepared on a going concern basis.

Significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described in Note 2.1.1. The assumption that the Group will be able to operate as a going concern is a critical judgment that has the most significant effect on the amounts recognised in the consolidated financial statements. 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 successful fulfilment of the plans as described in Note 2.1.1.

(b) Impairment of intangible assets with indefinite useful lives

Determining whether 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 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 the agreed sale price or observable market price of a similar asset in an arm's length transaction, if any, less incremental costs directly attributable to the disposal of the asset. Where the actual future cash flows are less than expected or changes in key assumptions underlying valuation model, further impairment loss may arise.

(c) Impairment of deposits and other receivables and loans and interests receivables

The Group recognises lifetime ECL for deposits and other receivables and loans and interests 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT *(Continued)*

(d) Impairment of trade receivables

The Group applies HKFRS 9 simplified approach for measuring the ECL of trade receivables, which use a lifetime expected loss allowance for all trade receivables resulting from transactions within the scope of HKFRS 15. To measure the ECL, trade receivables have been grouped 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 ECL rates to the respective gross carrying amounts of the receivables. The Group uses judgment in making these assumptions and selecting the inputs to the ECL calculation. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional expected loss allowance to the statement of profit or loss and other comprehensive income.

(e) Valuation of financial instruments

The fair values for certain financial instruments, including financial assets measured at FVTPL (Level 3) (Note 21) and convertible bonds (including derivative financial liabilities) (Note 30) 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. Selection of appropriate valuation parameters, assumptions and modelling techniques, require management estimates and judgment. 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT *(Continued)*

(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 the consolidated statement of profit or loss and other comprehensive income for the period in which such a claim takes place.

(h) 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.

(i) 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.

5 REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Automotive parts business		
Sales of automotive absorbers to		
– the automobile market of original automobile manufacturers	**1,694,664**	1,085,256
– the second market of automobile industry	**44,536**	37,778
– others	**3,964**	3,997
	1,743,164	1,127,031
Education management and consultancy services business		
Provision of management and consulting services to educational institutions		
– management and consultancy services	**55,257**	50,935
	55,257	50,935
Financial services business		
Provision of financial services and advisory services in respect of		
– private equity fund management	**–**	467
– underwriting and dealing services	**21,203**	5,276
– advisory services	**7,059**	12,304
– others	**–**	5
	28,262	18,052
Revenue from contracts with customers	**1,826,683**	1,196,018
Interest income	**7,037**	3,894
	1,833,720	1,199,912

5 REVENUE *(Continued)*

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

	For the year ended 31 December 2023			
	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	**1,743,164**	**2,610**	**28,262**	**1,774,036**
– Overtime	**–**	**52,647**	**–**	**52,647**
	1,743,164	**55,257**	**28,262**	**1,826,683**
Geographical markets:				
– The PRC	**1,712,676**	**55,257**	**762**	**1,768,695**
– Hong Kong	**–**	**–**	**26,362**	**26,362**
– Singapore	**–**	**–**	**1,138**	**1,138**
– Italy	**30,488**	**–**	**–**	**30,488**
	1,743,164	**55,257**	**28,262**	**1,826,683**

	For the year ended 31 December 2022			
	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	1,127,031	2,280	17,585	1,146,896
– Overtime	–	48,655	467	49,122
	1,127,031	50,935	18,052	1,196,018
Geographical markets:				
– The PRC	1,105,002	50,935	9,523	1,165,460
– Hong Kong	–	–	6,283	6,283
– Singapore	–	–	2,246	2,246
– Italy	22,029	–	–	22,029
	1,127,031	50,935	18,052	1,196,018

5 REVENUE *(Continued)*

(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 at a point in time, 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.

If a customer pays the consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

(b) Education management and consultancy services business

The Group provides education management services. Revenue is recognised over the relevant period of school semesters, i.e. over the period of time.

The Group also provide consulting services. Revenue is recognised at a point in time, when the Group has fulfilled its performance obligation, i.e. when the customers have accepted offer from overseas universities.

(c) Financial services business

Revenues from provision of private equity fund management 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.

5 REVENUE *(Continued)*

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022, and the expected timing recognising revenue are as follows:

	Automotive parts business RMB'000	Education management and consultancy services business RMB'000	Total RMB'000
At 31 December 2023			
Within one year	**33,244**	**37,191**	**70,435**
At 31 December 2022			
Within one year	575	27,079	27,654

(iv) Contract liabilities

	2023 **RMB'000**	2022 RMB'000
Advanced tuition fee	**12,351**	5,790
Advanced from customers related to automotive parts business	**33,244**	575
	45,595	6,365
Analysed for reporting purposes as:		
– Current liabilities	**45,595**	6,365

5 REVENUE *(Continued)*

(iv) Contract liabilities *(Continued)*

The following table shows how much of the revenue recognised in the current year relates to contract liabilities carried-forward from preceding year.

	Advanced tuition fee RMB'000	**Advanced from customers related to automotive parts business** RMB'000	**Total** RMB'000
For the year ended 31 December 2023			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**5,790**	**575**	**6,365**
For the year ended 31 December 2022			
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	15,029	–	15,029

The contract liabilities represent the Group's obligation to deliver automotive absorbers and render management 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 2024 (2022: 2023).

The increase in contract liabilities in 2023 was mainly due to the increase in advances received from customers in relation to the sales of automotive absorbers at the end of the year.

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 and private equity fund management services.

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	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Automotive parts business	**1,743,164**	1,127,031	**(1,114)**	53,538
Education management and consultancy services business	**55,257**	50,935	**(2,372)**	12,495
Financial services business	**35,299**	21,946	**29,084**	18,328
Total segment	**1,833,720**	1,199,912	**25,598**	84,361
Other income and expenses			**64,911**	45,969
Other losses, net			**(13,511)**	(199,315)
ECL, net of reversal			**(38,302)**	(18,300)
Administrative expenses			**(154,807)**	(136,771)
Operating losses			**(116,111)**	(224,056)
Finance costs			**(161,070)**	(198,278)
Share of results of associates			**(5,524)**	(1,978)
Share of results of joint ventures			**(54,700)**	(21,361)
Impairment losses of interests in joint ventures			**–**	(12,862)
Fair value changes of financial assets at FVTPL			**(33,130)**	(23,423)
Fair value changes of derivative financial liabilities			**4,307**	62,216
Day one fair value loss on issue of convertible bonds			**–**	(167)
Loss before income tax			**(366,228)**	(419,909)

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 2023			
	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	1,743,164	55,257	28,262	1,826,683
Inter-segment sales	–	–	792	792
Sub-total	1,743,164	55,257	29,054	1,827,475
Elimination	–	–	(792)	(792)
Revenue from contracts with customers	1,743,164	55,257	28,262	1,826,683
Interest income	–	–	7,037	7,037
Segment revenue	1,743,164	55,257	35,299	1,833,720

6 SEGMENT INFORMATION *(Continued)*

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

	For the year ended 31 December 2022			
	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	1,127,031	50,935	18,052	1,196,018
Inter-segment sales	–	–	971	971
Sub-total	1,127,031	50,935	19,023	1,196,989
Elimination	–	–	(971)	(971)
Revenue from contracts with customers	1,127,031	50,935	18,052	1,196,018
Interest income	–	–	3,894	3,894
Segment revenue	1,127,031	50,935	21,946	1,199,912

The accounting policies of the operating segments are the same as the Group's accounting policies disclosed in Note 2. Segment results represent the profit/(loss) 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.

Reportable segment results represent the operating profit/(losses) resulted by each segment and exclude other income and expenses, other losses, net and administrative expenses.

6 SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group principally operates in the PRC.

During the year ended 31 December 2023, 96% (2022: 97%) 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 2023, 95% (2022: 96%) of the Group's property, plant and equipment and rights-of-use assets are located in the PRC.

(d) Information about major customer

Revenue from major customers which accounts for 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022 are as follows:

	2023 **RMB'000**	2022 RMB'000
Automotive parts business		
Customer A	**310,722**	173,883
Customer B	**189,018**	153,320

7 OTHER INCOME AND EXPENSES

	2023 **RMB'000**	2022 RMB'000
Interest income from financial institutions	**2,748**	3,242
Interest income from non-financial institutions	**9,168**	10,438
Government grants (Note (a))	**28,838**	18,673
Storage services income	**–**	769
Others (Note (b))	**24,157**	12,847
	64,911	45,969

Notes:

(a) During the year ended 31 December 2023 and 2022, the amount mainly included government grants to the Group for the development of manufacturing companies with high quality and significant research programme with no unfulfilled conditions attached before recognition.

(b) Others mainly represented sales of scrap material after the manufacturing process of products and fees charged for provision of products' research and development services.

8 OTHER LOSSES, NET

	2023 RMB'000	2022 RMB'000
Exchange losses, net	**(24,586)**	(194,061)
Dividend income from financial assets measured at FVTPL	**1,820**	3,035
Loss on disposal of an associate	**(107)**	–
Losses on disposal of property, plant and equipment	**(28)**	(1,627)
Gain on disposal of a subsidiary (Note 34)	**–**	3,600
Gain/(loss) on deemed disposal of joint ventures (Note 18)	**2,768**	(16,650)
Gain on de-registration of subsidiaries	**–**	13
Gains upon settlement of borrowings	**5,437**	–
Others	**1,185**	6,375
	(13,511)	(199,315)

9 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2023 RMB'000	2022 RMB'000
Auditor's remuneration	**1,988**	1,965
Cost of inventories sold	**1,354,564**	842,325
Provision for impairment of inventories (Note 24)	**5,442**	11,154
Provision of warranty (Note 32)	**21,218**	33,342
Employee benefits expenses (including directors' emoluments)	**205,483**	180,311
– Salaries and other benefits	**181,825**	162,805
– Retirement benefit scheme contributions	**23,658**	17,506
Amortisation of intangible assets (Note 19)	**8,982**	8,380
Depreciation of property, plant and equipment (Note 15)	**43,840**	47,034
Depreciation of right-of-use assets (Note 16(i))	**11,268**	13,924
Legal and professional fee	**5,876**	6,962
Lease payments under short-term leases	**1,999**	794

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 the Hong Kong Companies Ordinance, on a named basis are as follows:

For the year ended 31 December 2023

	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	135	–	1,876	72	2,083
Mr. Zhang Li (Note)	64	–	–	–	64
Mr. Zhao Zhijun	135	–	138	–	273
Dr. Zhu Huanqiang	135	–	652	–	787
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	245	–	–	–	245
Mr. Loo Cheng Guan	245	–	–	–	245
Dr. Du Xiaotang	245	–	–	–	245
Total	1,204	–	2,666	72	3,942

For the year ended 31 December 2022

	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	258	–	1,809	69	2,136
Mr. Zhao Zhijun	258	–	–	–	258
Dr. Zhu Huanqiang	258	–	1,303	–	1,561
Independent non-executive directors					
Mr. Chu Kin Wang, Peleus	232	–	–	–	232
Mr. Loo Cheng Guan	232	–	–	–	232
Dr. Du Xiaotang	232	–	–	–	232
Total	1,470	–	3,112	69	4,651

Note: Mr. Zhang Li was appointed as an executive director on 12 July 2023.

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 independent non-executive directors were for their services as Directors.

(b) Five highest paid employees

The five highest paid individuals of the Group for the year ended 31 December 2023 included 2 (2022: 2) directors. The remunerations of the remaining 3 (2022: 3) highest paid individuals other than the directors are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries and other benefits	**6,073**	1,629
Retirement benefit scheme contributions	**71**	71
	6,144	1,700

The emoluments of the remaining 3 (2022: 3) highest paid individuals other than the directors fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK$500,001 to HK$1,000,000	**–**	3
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**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 (2022: Nil).

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 (2022: Nil).

(d) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2022: 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 (2022: 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 (2022: Nil).

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

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 (2022: Nil).

11 FINANCE COSTS

	2023 **RMB'000**	2022 RMB'000
Interest on:		
Bank borrowings	**26,573**	27,626
Other borrowings	**47,448**	59,875
Lease liabilities	**811**	344
Convertible bonds (Note 30)	**85,887**	110,372
Others	**351**	61
	161,070	198,278

12 INCOME TAX CREDIT

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

	2023 **RMB'000**	2022 RMB'000
Current income tax		
– PRC Enterprise Income Tax ("**EIT**")	**1,513**	1,618
Over provision in prior year		
– PRC EIT	**–**	(199)
	1,513	1,419
Deferred tax (Note 20)	**(1,752)**	(1,752)
Income tax credit	**(239)**	(333)

The current income tax credit for the years ended 31 December 2023 and 2022 mainly represents the PRC EIT.

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022, except for the first HK$2 million of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered profit tax rates regime. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year ended 31 December 2023 (2022: same).

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.

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 2021 for another 3 years, which Nanyang Cijan entitles a preferential tax rate of 15% for the period from 2022 to 2024 according to the PRC tax law.

12 INCOME TAX CREDIT *(Continued)*

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

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

The income tax credit for the years ended 31 December 2023 and 2022 can be reconciled to the loss before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before income tax	**(366,228)**	(419,909)
Calculated at a tax rate of 25% (2022: 25%)	**(91,557)**	(104,977)
Tax effect of different tax rate in other jurisdictions	**14,158**	31,683
Tax effect of expenses not deductible for tax purpose	**10,326**	52,444
Tax effect of income not taxable for tax purpose	**(31,215)**	(37,577)
Tax effect of tax losses not recognised	**100,398**	58,847
Utilisation of tax losses previously not recognised	**(2,349)**	(554)
Over-provision in prior year	**–**	(199)
Income tax credit	**(239)**	(333)

13 DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 31 December 2023 and 2022. The Directors do not recommend the payment of dividend for the year ended 31 December 2023 (2022: 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.

	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(347,172)**	(420,736)
Weighted average number of ordinary shares in issue	**1,791,339,452**	1,528,231,808
Loss per share (RMB)	**(0.19)**	(0.28)

(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 two (2022: two) category of potentially dilutive ordinary shares: share options and convertible bonds (2022: share options and convertible bonds). 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. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense and fair value change less the tax effect if any.

For the years ended 31 December 2023 and 2022, diluted loss per share is the same as the basic loss per share as the exercise/conversion of potential ordinary shares in relation to the outstanding share options and convertible bonds 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	Construction in-progress RMB'000	Total RMB'000
At 31 December 2022							
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
Year ended 31 December 2022							
Opening net book amount	181,961	9,776	112,112	132,378	2	48,929	485,158
Additions	6,488	1,072	16,748	17,930	–	7,358	49,596
Transfer	7,050	–	–	–	–	(7,050)	–
Disposals							
– Cost	–	(2,467)	(1,758)	–	(87)	–	(4,312)
– Accumulated depreciation	–	1,113	1,487	–	85	–	2,685
Depreciation for the year	(4,163)	(1,274)	(20,528)	(21,069)	–	–	(47,034)
Disposal of a subsidiary (Note 34)							
– Cost	–	(263)	–	–	–	–	(263)
– Accumulated depreciation	–	38	–	–	–	–	38
Exchange realignment	(24)	–	24	–	–	–	–
Closing net book amount	191,312	7,995	108,085	129,239	–	49,237	485,868
At 31 December 2022							
Cost	276,482	17,044	294,399	273,009	1,508	49,237	911,679
Accumulated depreciation and impairment	(85,170)	(9,049)	(186,314)	(143,770)	(1,508)	–	(425,811)
Net book amount	191,312	7,995	108,085	129,239	–	49,237	485,868

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Machinery RMB'000	Leasehold improvement RMB'000	Construction in-progress RMB'000	Total RMB'000
Year ended 31 December 2023							
Opening net book amount	191,312	7,995	108,085	129,239	–	49,237	485,868
Additions	3,366	2,562	10,406	9,640	490	11,375	37,839
Transfer	28,453	–	–	–	–	(28,453)	–
Disposals							
– Cost	–	(946)	(558)	–	–	–	(1,504)
– Accumulated depreciation	–	435	434	–	–	–	869
Depreciation for the year	(3,608)	(1,078)	(14,677)	(24,328)	(149)	–	(43,840)
Exchange realignment	391	506	(188)	10	1	–	720
Closing net book amount	219,914	9,474	103,502	114,561	342	32,159	479,952
At 31 December 2023							
Cost	308,890	19,184	305,736	282,637	2,026	32,159	950,632
Accumulated depreciation and impairment	(88,976)	(9,710)	(202,234)	(168,076)	(1,684)	–	(470,680)
Net book amount	219,914	9,474	103,502	114,561	342	32,159	479,952

Depreciation expense of RMB33,735,000 (2022: RMB35,591,000) has been expensed in cost of sales and services, RMB1,909,000 (2022: RMB2,725,000) in selling and distribution expenses, RMB336,000 (2022: RMB346,000) in research and development expenditure and RMB7,860,000 (2022: RMB8,372,000) in administrative expenses.

During the year ended 31 December 2023, the Directors reviewed the recoverable amounts of certain assets used in the Group's automotive parts business segment, which is considered as a separately identifiable CGU, due to low day rates and utilisation rates, and considered that there is no impairment loss. The recoverable amount was determined based on value in use, which required the use of significant unobservable inputs. Other key assumptions used in the value in use calculations reflect management's judgments and expectations based on past performance and future industry conditions. The pre-tax discount rate applied to the cash flow projections is 15.9% (2022: 14.52%), and the cash flow projection is based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	Leasehold lands RMB'000	**Offices** RMB'000	**Warehouse** RMB'000	**Total** RMB'000
At 1 January 2022	119,190	11,386	925	131,501
Additions	–	3,276	958	4,234
Depreciation	(3,480)	(9,069)	(1,375)	(13,924)
Exchange realignment	–	406	–	406
At 31 December 2022 and 1 January 2023	115,710	5,999	508	122,217
Additions	**–**	**19,994**	**1,559**	**21,553**
Depreciation	**(3,091)**	**(7,125)**	**(1,052)**	**(11,268)**
Lease modification	**–**	**(2,066)**	**–**	**(2,066)**
Exchange realignment	**–**	**(106)**	**–**	**(106)**
At 31 December 2023	**112,619**	**16,696**	**1,015**	**130,330**

	2023 **RMB'000**	2022 RMB'000
Expense relating to:		
– Short-term leases	**1,999**	794
Total cash outflows for leases (excluded short-term leases)	**(8,783)**	(10,447)
Total cash outflows for short-term leases	**(1,999)**	(794)

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

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

For both years, the Group leases lands, 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

	2023 **RMB'000**	2022 RMB'000
Lease liabilities:		
Within one year	**10,819**	6,039
Within a period of more than one year but not more than two years	**5,439**	1,585
Within a period of more than two years but not more than five years	**2,725**	316
	18,983	7,940
Less: non-current portion	**(8,164)**	(1,901)
Current portion	**10,819**	6,039

17 INTERESTS IN ASSOCIATES

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		Carrying amount		Principal activities
		31 December 2023	31 December 2022	31 December 2023 RMB'000	31 December 2022 RMB'000	
Nanyang Way Assuato Vehicle Shcok Absorber Co., Ltd.* 南陽威奧斯圖車輛減振器有限公司 ("**Nanyang Way Assuato**") (Note (i))	The PRC	N/A	30%	–	855	Manufacture and sales of automobile shock absorber products
Stirling Coleman Capital Limited ("**Stirling Coleman**")	Singapore	45%	45%	4,936	3,672	Financial services
KSI Education Ltd. ("**KSI Education**") (Note (ii))	United Kingdom	33.79%	N/A	18,208	–	Education services
				23,144	4,527	

Notes:

(i) During the year ended 31 December 2023, the Group has disposed 25.2% equity interest in Nanyang Way Assuato at a consideration of RMB270,000 to an independent third party. After the disposal, the remaining interest of 4.8% in Nanyang Way Assuato became a financial asset measured at FVTPL.

(ii) On 30 March 2023, KSI Education allotted and issued 20,130,279 shares, representing 23.13% of the issued share capital of KSI Education as enlarged by the allotment and issuance, to an independent third party such that the equity interests held by the Group in KSI Education were diluted from 43.95% to 33.79%. Upon the same day, the memorandum of association of KSI Education has been changed, in which unanimous consent for resolutions at the level of board of directors is not required. Accordingly, the interests in KSI Education were reclassified from a joint venture to an associate.

(a) Nanyang Way Assuato

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

	2022 RMB'000
Current assets	73,351
Non-current assets	86,658
Current liabilities	(117,159)
Non-current liabilities	(40,000)
	2,850

17 INTERESTS IN ASSOCIATES *(Continued)*

(a) Nanyang Way Assuato *(Continued)*

	2022 RMB'000
Revenue	94,653
Loss and total comprehensive loss for the year	(2,400)
Proportion of the Group's ownership interest	30%
Share of results attributable to the Group	(720)

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:

	2022 RMB'000
Net assets of Nanyang Way Assuato	2,850
Proportion of the Group's ownership interest	30%
The Group's share of net assets	855

Note:

The financial information in respect of Nanyang Way Assuato were not disclosed due to the disposal of 25.2% equity interest for the year ended 31 December 2023.

(b) Stirling Coleman

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

	2023 **RMB'000**	2022 RMB'000
Current assets	**7,068**	4,811
Non-current assets	**279**	100
Current liabilities	**(634)**	(285)
Non-current liabilities	**(269)**	–
	6,444	4,626

17 INTERESTS IN ASSOCIATES *(Continued)*

(b) Stirling Coleman *(Continued)*

	2023 **RMB'000**	2022 RMB'000
Revenue	**12,714**	3,283
Profit/(loss) and total comprehensive income/(loss) for the year	**1,818**	(2,795)
Proportion of the Group's ownership interest	**45%**	45%
Share of results attributable to the Group	**818**	(1,258)

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:

	2023 **RMB'000**	2022 RMB'000
Net assets of Stirling Coleman	**6,444**	4,626
Proportion of the Group's ownership interest	**45%**	45%
The Group's share of net assets	**2,900**	2,081
Consideration premium	**712**	712
Exchange realignment	**1,324**	879
The Group's share of net assets	**4,936**	3,672

17 INTERESTS IN ASSOCIATES *(Continued)*

(c) KSI Education

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

	2023 RMB'000
Current assets	**17,533**
Non-current assets	**70,620**
Current liabilities	**(14,595)**
Non-current liabilities	**(19,672)**
	53,886

	2023 RMB'000
Revenue	**–**
Loss and total comprehensive loss for the period	**(17,354)**
Proportion of the Group's ownership interest	**33.79%**
Share of results attributable to the Group	**(5,864)**

Note: The revenue and loss and total comprehensive loss above represented the financial information of KSI Education for the period from 31 March 2023, the date since KSI Education became an associate, to 31 December 2023.

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

	2023 RMB'000
Net assets of KSI Education	**53,886**
Proportion of the Group's ownership interest	**33.79%**
The Group's share of net assets	**18,208**

17 INTERESTS IN ASSOCIATES *(Continued)*

(d) Summary of share of results of associates

For the year ended 31 December 2023	Nanyang Way Assuato RMB'000	Stirling Coleman RMB'000	KSI Education RMB'000	Total RMB'000
The Group's share of (loss)/profit and other comprehensive (loss)/income	**(478)**	**818**	**(5,864)**	**(5,524)**

For the year ended 31 December 2022	Nanyang Way Assuato RMB'000	Stirling Coleman RMB'000	Total RMB'000
The Group's share of loss and other comprehensive loss	(720)	(1,258)	(1,978)

(e) Amount due from an associate

	31 December 2023 RMB'000	31 December 2022 RMB'000
Nanyang Way Assuato (Note)	**–**	81,595
KSI Education	**4,409**	–
	4,409	81,595
Less : provision for impairment	**(56)**	(288)
	4,353	81,307

Note: The balance was reclassified to trade and other receivables upon the disposal of 25.2% equity interest.

Amount due from an associate was unsecured, interest-free, non-trade in nature and repayable on demand.

18 INTERESTS IN JOINT VENTURES

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		Carrying amount		Principal activities
		31 December 2023	31 December 2022	**31 December 2023 RMB'000**	31 December 2022 RMB'000	
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%	**54,389**	109,651	Equity investment
KSI Education (Note 17)	United Kingdom	**N/A**	43.95%	**–**	17,145	Education services
Singapore Raffles Music College Pte. Ltd. ("**SRMC**")	Singapore	**40%**	40%	**10,661**	10,054	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%	**677**	3,594	Equity investment
				65,727	140,444	

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 2023 and 2022 prepared in conformity with HKFRSs are as below:

	Zhuhai Education RMB'000	**SRMC** RMB'000	**FC Wentou** RMB'000
At 31 December 2023			
Current assets	**221,233**	**34,963**	**2,180**
– cash and cash equivalents	**4**	**22,146**	**2,180**
Non-current assets	**–**	**15,365**	**–**
Current liabilities	**(138,234)**	**(29,458)**	**–**
Non-current liabilities	**–**	**(14,218)**	**–**
	82,999	**6,652**	**2,180**
Revenue	**–**	**31,379**	**–**
(Loss)/profit and total comprehensive (loss)/income for the year	**(121,536)**	**3,198**	**(10)**

	Zhuhai Education RMB'000	KSI Education RMB'000	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2022				
Current assets	364,540	108,157	23,527	2,190
– cash and cash equivalents	4	8,035	11,005	2,190
Non-current assets	–	31	12,019	–
Current liabilities	(160,005)	(7,956)	(19,491)	–
Non-current liabilities	–	(8,450)	(12,601)	–
	204,535	91,782	3,454	2,190
Revenue	–	–	17,294	–
(Loss)/profit and total comprehensive (loss)/income for the year	(45,564)	(772)	(878)	93

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	SRMC RMB'000	FC Wentou RMB'000
At 31 December 2023			
Net assets of each joint venture	82,999	6,652	2,180
Proportion of the Group's ownership interest in each joint venture	45.47%	40%	50.08%
The Group's share of net assets of each joint venture	37,740	2,661	1,092
Consideration premium	–	8,867	–
Exchange realignment	–	(867)	–
Impairment loss	(12,862)	–	(15,183)
Adjustments (Note a)	29,511	–	14,768
Carrying amount of the Group's interest in each joint venture	54,389	10,661	677
The Group's share of (loss)/profit in each joint venture	(55,262)	1,279	(5)

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 2022				
Net assets of each joint venture	204,535	91,782	3,454	2,190
Proportion of the Group's ownership interest in each joint venture	45.47%	43.95%	40%	50.08%
The Group's share of net assets of each joint venture	93,002	40,338	1,382	1,097
Consideration premium	–	–	8,867	–
Exchange realignment	–	(1,961)	(195)	–
Impairment loss	(12,862)	(21,232)	–	(15,183)
Adjustments (Note a)	29,511	–	–	17,680
Carrying amount of the Group's interest in each joint venture	109,651	17,145	10,054	3,594
The Group's share of (loss)/profit in each joint venture	(20,718)	(339)	(351)	47

(a) As at 31 December 2023 and 2022, the adjustment under Zhuhai Education and FC Wentou represented 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 ventures. Other adjustments resulted from the capital withdrawals and injections by other investors, which influenced the proportion of the Group's ownership interest in and Zhuhai Education.

18 INTERESTS IN JOINT VENTURES *(Continued)*

Summary of share of results of joint ventures:

For the year ended 31 December 2023	**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	**(55,262)**	**(712)**	**1,279**	**(5)**	**(54,700)**

For the year ended 31 December 2022	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	(20,718)	(339)	(351)	47	(21,361)

Deemed disposal of interests in joint ventures

During the year ended 31 December 2022, a joint venture of the Group, Zhuhai Education changed its registered shares. The Group's equity interest in Zhuhai Education remained unchanged at 45.47%, which resulted in a loss on deemed disposal of interest in that joint venture of approximately RMB16,650,000.

During the year ended 31 December 2023, a joint venture of the Group, KSI Education allotted and issued shares to an independent third party. The equity interests held by the Group diluted from 43.95% to 33.79%, resulting in a gain on deemed disposal of interest in the joint venture of approximately RMB2,768,000. For details, please refer to Note 17.

19 INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Software RMB'000	Brand RMB'000	Total RMB'000
Cost					
At 1 January 2022	80,556	555	11,205	100,126	192,442
Additions	–	–	369	–	369
Exchange realignment	–	–	50	–	50
At 31 December 2022	80,556	555	11,624	100,126	192,861
Additions	**–**	**–**	**2,822**	**–**	**2,822**
Exchange realignment	**–**	**–**	**2,163**	**–**	**2,163**
At 31 December 2023	**80,556**	**555**	**16,609**	**100,126**	**197,846**
Accumulated amortisation and impairment					
At 1 January 2022	(33,829)	(555)	(6,724)	–	(41,108)
Charge for the year	(7,009)	–	(1,371)	–	(8,380)
Exchange realignment	–	–	(91)	–	(91)
At 31 December 2022	(40,838)	(555)	(8,186)	–	(49,579)
Charge for the year	**(7,009)**	**–**	**(1,973)**	**–**	**(8,982)**
Exchange realignment	**–**	**–**	**(236)**	**–**	**(236)**
At 31 December 2023	**(47,847)**	**(555)**	**(10,395)**	**–**	**(58,797)**
Carrying values					
At 31 December 2023	**32,709**	**–**	**6,214**	**100,126**	**139,049**
At 31 December 2022	39,718	–	3,438	100,126	143,282

19 INTANGIBLE ASSETS *(Continued)*

Amortisation expense of approximately RMB8,982,000 (2022: RMB8,380,000) has been expensed in administrative expenses.

The management regards brand ("**brand from Xinjiang Edukeys**") of RMB100,126,000 (2022: 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.

During the year ended 31 December 2023, the Group had conducted impairment assessment of "brand from Xinjiang Edukeys", held by Xinjiang Edukeys and its subsidiaries, which has an indefinite useful life and used in the Group's education management and consultancy services business, as a separately identification CGU. The pre-tax discount rate is 13.20% (2022: 12.95%) and the long-term growth rate is 2% (2022: 3%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The recoverable amount of Xinjiang Edukeys amounted to RMB151,727,000 as at 31 December 2023 (2022: RMB218,593,000).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the recoverable amount falls short of the carrying value.

20 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:

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**7,762**	7,762
Deferred tax liabilities	**(42,430)**	(44,182)
	(34,668)	(36,420)

20 DEFERRED TAX *(Continued)*

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	**Fair value changes of assets acquired through business combination**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2022	7,762	(45,934)	(38,172)
Credited to profit or loss	–	1,752	1,752
At 31 December 2022	7,762	(44,182)	(36,420)
Credited to profit or loss	**–**	**1,752**	**1,752**
At 31 December 2023	**7,762**	**(42,430)**	**(34,668)**

As at 31 December 2023, the Group has unused tax losses of approximately RMB1,054,012,000 (2022: RMB829,447,000) will expire throughout to 2028 (2022: 2027), and RMB2,700,939,000 (2022: RMB2,551,076,000) can be carried forward indefinitely under PRC EIT and Hong Kong Profits Tax legislation, respectively. 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 2023 and 2022.

21 FINANCIAL ASSETS MEASURED AT FVTPL

	2023 RMB'000	2022 RMB'000
Financial assets measured at FVTPL	**241,843**	293,878
Analysed for reporting purposes as:		
– Current assets (Note (a))	**241,843**	293,878

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

	2023 RMB'000	2022 RMB'000
Listed equity securities:		
– Hong Kong	**12,214**	74,603
– The PRC	**128,046**	142,628
– Overseas	**16,827**	10,623
Unlisted equity investments:		
– Hong Kong	**579**	538
– The PRC	**53,079**	45,736
Unlisted fund investments:		
– The PRC	**27,098**	19,750
Wealth management products:		
– The PRC	**4,000**	–
	241,843	293,878

21 FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

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

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
		As at 31 December 2023					For the year ended 31 December 2023	
北京知路研修教育科技有限公司	Education	176.5	15.00%	14,756	0.53%	12,000	(1,114)	–
MindChamps (SGX.CNE)	Education	12,056	4.96%	16,827	0.60%	33,060	6,063	–
GUANGAN AAA (SHA. 600979)	Utility	26,380	2.14%	91,275	3.25%	98,628	4,364	1,369
上海南壁新能源科技有限公司	Energy	1,000	8.93%	19,224	0.68%	3,000	(2,952)	–
上海浙減汽車懸架有限公司	Automotive parts	1,300	13.00%	19,048	0.68%	1,300	11,358	–
比亞迪 (SZ. 002594)	Automobile	51	0.002%	10,098	0.36%	13,701	(3,603)	79

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
		As at 31 December 2022					For the year ended 31 December 2022	
北京知路研修教育科技有限公司	Education	176.5	15.00%	15,870	0.58%	12,000	2,989	–
MindChamps (SGX.CNE)	Education	12,056	4.99%	10,623	0.39%	31,615	–	–
Bojun Education (HK.1758)	Education	140,000	17.03%	52,337	1.90%	233,333	4,406	–
GUANGAN AAA (SHA. 600979)	Utility	39,918	3.24%	131,728	4.79%	120,992	(23,666)	2,195
上海南壁新能源科技有限公司	Energy	1,000	10.00%	22,176	0.81%	3,000	19,176	–

22 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables (Note (a))	**866,850**	485,568
Less: allowance for trade receivables	**(173,625)**	(38,044)
	693,225	447,524
Bills receivables (Note (b))	**190,022**	108,037
Rental deposits, prepayments and other receivables	**147,545**	228,665
Less: allowance for other receivables	**(63,441)**	(43,341)
	967,351	740,885
Prepayment to a supplier of automotive parts	**50,777**	35,725
	1,018,128	776,610
Less: non-current portion		
Other receivables	**(8,433)**	(8,494)
Current portion	**1,009,695**	768,116

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 3.1(b).

(a) The credit term for sales of goods is 90 days and there is no credit term for the provision of services.

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

	2023	2022
	RMB'000	RMB'000
0 to 90 days	**621,271**	408,045
91 to 180 days	**27,300**	18,976
181 to 365 days	**12,815**	7,169
Over 365 days	**31,839**	13,334
	693,225	447,524

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(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 issuance date, is as follows:

	2023	2022
	RMB'000	RMB'000
0 to 30 days	**55,285**	28,726
31 to 60 days	**22,916**	18,632
61 to 90 days	**18,820**	23,250
91 to 120 days	**50,445**	5,649
121 to 150 days	**37,544**	16,564
151 to 180 days	**5,012**	15,216
	190,022	108,037

23 AMOUNTS DUE FROM JOINT VENTURES

	2023	2022
	RMB'000	RMB'000
Zhuhai Education	**137,651**	142,231
KSI Education	**–**	4,094
SRMC	**–**	26
	137,651	146,351
Less: provision for impairment	**(45,078)**	(6,828)
	92,573	139,523

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

24 INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**40,309**	21,710
Work-in-progress	**10,935**	6,303
Finished goods	**95,058**	119,116
	146,302	147,129

As at 31 December 2023, included in the carrying amount are provision of RMB39,542,000 (2022: RMB34,100,000), which is determined with reference to the net realisable values of the inventory items.

Provision for impairment of RMB5,442,000 (2022: RMB11,154,000) was made and included in "cost of sales and services" during the year ended 31 December 2023.

Cost of inventories sold amounted to RMB1,354,564,000 (2022: RMB842,325,000) for the year ended 31 December 2023.

25 LOANS AND INTERESTS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loans receivables	**41,731**	4,467
Interests receivables	**9,390**	1,985
	51,121	6,452
Less: allowance for loans and interests receivables	**(1,961)**	(79)
	49,160	6,373

As at 31 December 2023, the original maturity terms of the outstanding balances are 12 months (2022: 12 months). All loans receivables carry interests rates ranging from 4.2% to 12% (2022: 12%) per annum.

As at 31 December 2023, plant and machineries were pledged to the Group as collateral for the loans amounted to RMB37,200,000 (2022: Nil).

26 SECURITY ACCOUNT BALANCES

As at 31 December 2022, the security account balances represented deposits placed by the Group in security trading companies. The balances were unsecured, non-interest bearing and can be withdrawn at any time without penalty.

27 RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

As at 31 December 2023, bank balances carry interest at market rates ranging from 0.01% to 0.88% (2022: 0.01% to 0.35%) per annum.

As at 31 December 2023, included in the balances of restricted bank balances are (i) an aggregate amount of RMB45,381,000 (2022: RMB44,402,000) representing the customer deposits for trading securities, (ii) RMB199,616,000 (2022: RMB194,273,000) 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) RMB137,000 (2022: RMB10,000,000) representing other restricted funds. As at 31 December 2023, restricted bank balances, carrying interest at market rates ranging 0.20% to 1.95% (2022: 0.25% to 2.15%) per annum.

The remittance of funds out of the PRC amounted to approximately RMB144,467,000 (2022: RMB124,880,000) is subject to foreign exchange restrictions imposed by the PRC government.

28 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables (Note (a))	**694,852**	613,048
Bills payables (Note (b))	**317,168**	448,886
	1,012,020	1,061,934
Accruals and other payables	**231,677**	106,726
Customer deposits for securities trading	**45,381**	44,402
Other tax payables	**11,588**	16,321
Payroll and welfare payables	**57,196**	60,374
	1,357,862	1,289,757
Less: non-current portion	**–**	(137)
Current portion	**1,357,862**	1,289,620

28 TRADE AND OTHER PAYABLES *(Continued)*

(a) The ageing of trade payables presented based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
0 to 90 days	**427,052**	380,936
91 to 180 days	**90,062**	84,327
181 to 365 days	**12,782**	22,749
Over 365 days	**164,956**	125,036
	694,852	613,048

(b) The ageing of bills payables presented based on issuance date is as follows:

	2023 RMB'000	2022 RMB'000
0 to 30 days	**60,000**	130,000
31 to 60 days	**44,608**	21,770
61 to 90 days	**55,440**	34,736
91 to 180 days	**157,120**	142,380
Over 180 days	**–**	120,000
	317,168	448,886

29 BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank borrowings	**678,400**	539,900
Notes and debentures	**812,501**	775,955
Invoice financing loans (Note (c))	**91,190**	–
Other borrowings	**107,122**	105,402
Loans from government (Note (a))	**67,732**	65,717
Loans from independent third parties (Note (b))	**39,390**	39,685
	1,689,213	1,421,257
Unsecured and unguaranteed borrowings	**1,155,795**	1,103,035
Secured and unguaranteed borrowings	**533,418**	318,222
	1,689,213	1,421,257

Notes:

(a) The loans are unsecured, interest-free and repayable in 2024. The purpose of the government loan is to encourage the innovation and product development of the Group located in the PRC.

(b) The loans are unsecured, bearing interest range from 0% to 9% (2022: 0% to 9%) per annum and repayable within five years (2022: within five years).

(c) The loans are secured by bills receivables, bearing interest range from 1% to 1.78% per annum and repayable within one year.

The contractual maturity dates of borrowings are as follows:

	2023 RMB'000	2022 RMB'000
Within one year or on demand	**1,307,653**	854,698
Between one year to two years	**242,722**	328,910
Between two to five years	**138,838**	227,195
Over five years	**–**	10,454
	1,689,213	1,421,257
Less: non-current portion	**(381,560)**	(566,559)
Current portion	**1,307,653**	854,698

29 BORROWINGS *(Continued)*

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

	2023	2022
Variable-rate borrowings	**China loan prime rate +0.45% to +0.80%**	China loan prime rate +0.575% to +1.1375%
Fixed-rate borrowings	**0% to 18%**	0% to 9%

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

	2023 RMB'000	2022 RMB'000
Financial assets measured at FVTPL	**113,535**	201,266
Bills receivables	**91,666**	–
	205,201	201,266

As at 31 December 2023, a shareholder of the Company, Wealth Max Holdings Limited has pledged the Company's shares with fair value amounting to approximately RMB1,130,000 (2022: RMB1,983,000) to the financial institutions for securing financial facilities granted to the Group.

As at 31 December 2023, certain borrowings became repayable on demand due to the breaching of covenants underlying the loan agreements with an aggregate amount of approximately RMB570,933,000 (2022: RMB388,000,000).

30 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES

On 14 December 2017 (the "**Issue Date**"), the Company issued HK$ denominated and HK$ settled convertible 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 were with maturity date on 13 December 2019 (the "**Maturity Date**") and the Company was bound to redeem at par on the Maturity Date. The conversion price was 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.

30 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

The Convertible Bonds beared 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 was 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 were secured by an account charge executed by Chuang Yue Co., Limited ("**Chuang Yue**") in favour of the bondholder.

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

During the Conversion Period, any conversion notice raised by the bondholder was 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 contained liability component, conversion option and conversion-veto option derivatives. The Company's conversion option and conversion-veto option were not closely related to the host liability component.

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 were 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 were measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

Transaction costs that related 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 with reference to a valuation report carried out by an independent valuer.

30 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

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). On 21 February 2022, Champion Sense Global Limited ("**Champion Sense**") agreed to apply for withdrawal of the winding-up petition and the judge of High Court had made an order to dismiss the winding-up petition.

On 13 January 2022 the Company, Champion Sense and Principal Global Investment Limited (being the new bondholder to purchase the Convertible Bonds held by Champion Sense) ("**Principal Global**") entered into the framework agreement in relation to the reorganisation of the Convertible Bonds and the amendment and restatement agreement to change the maturity date from 13 December 2019 to 15 May 2023 and the conversion price from HK$16.35 per share to HK$0.188 per share, respectively, which were effective from 16 May 2022.

According to the Convertible Bonds purchase agreement signed between Champion Sense as vendor and Principal Global as purchaser on 13 January 2022 (the "**CB Purchase Agreement**"), Principal Global will acquire the Convertible Bonds by stages from Champion Sense in 18 months from the date of the CB Purchase Agreement. On 31 December 2022, the principal of the Convertible Bonds is HK$700,000,000. For the year ended 31 December 2022, the principal of HK$30,000,000 and HK$40,000,000 of the Convertible Bonds have been settled and converted to 212,710,000 shares, respectively.

The restructure of the Convertible Bond is accounted for as modification with loss on modification of liability component of RMB167,000 recognised during the year ended 31 December 2022. The Company's conversion option and conversion-veto option are not closely related to the host liability component as the economic characteristics and risks of such features are different from the host liability and hence they are not closely related to the host liability. The effective interest rate of the liability component of the Convertible Bonds is 22.7% per annum.

In May 2023, the Convertible Bonds were defaulted due to the defaults in repayment of the outstanding principal and accrued interest on the repayment date, and therefore became immediately repayable and default interest of 15% per annum were accrued for the year ended 31 December 2023.

30 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

The movement of the debt component and derivative financial liabilities of the Convertible Bonds for the year are set out as below:

	Financial liabilities at amortised cost – debt component RMB'000	Financial liabilities at fair value through profit or loss – derivative financial liabilities RMB'000	Total RMB'000
At 1 January 2022	824,674	–	824,674
Interest expenses (Note 11)	110,372	–	110,372
Repayment	(25,767)	–	(25,767)
Interest paid	(19,094)	–	(19,094)
Derecognition upon substantial modification	(867,444)	–	(867,444)
Recognition of new convertible bonds upon substantial modification	797,549	70,062	867,611
Conversion	(30,402)	(3,773)	(34,175)
Waiver of interest	(143)	–	(143)
Fair value change	–	(62,216)	(62,216)
Exchange realignment	70,605	163	70,768
At 31 December 2022 and 1 January 2023	860,350	4,236	864,586
Interest expenses (Note 11)	**85,887**	**–**	**85,887**
Fair value change	**–**	**(4,307)**	**(4,307)**
Exchange realignment	**12,303**	**71**	**12,374**
At 31 December 2023	**958,540**	**–**	**958,540**

31 DEFERRED INCOME

	Government grants RMB'000
At 1 January 2022	53,967
Utilisation	(13,377)
At 31 December 2022 and 1 January 2023	40,590
Utilisation	**(5,155)**
At 31 December 2023	**35,435**

	2023 RMB'000	2022 RMB'000
Analysed for reporting purposes as:		
– Current liabilities	**5,049**	5,433
– Non-current liabilities	**30,386**	35,157
	35,435	40,590

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.

32 PROVISIONS

	Warranty provision RMB'000
At 1 January 2022	49,507
Additions	33,342
Utilisation	(26,764)
At 31 December 2022 and 1 January 2023	56,085
Additions	**21,218**
Utilisation	**(18,944)**
At 31 December 2023	**58,359**

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.

There are uncertainties associated with estimating the amount and timing of the outflows related to warranty provisions. These uncertainties arise from factors such as the number of warranty claims, the complexity of repairs, and changes in product failure rates. The ultimate outflows may differ from the amounts initially recognised due to these uncertainties. In estimating the warranty provisions, the Group considers historical warranty claim experience, product failure rates, and other relevant information. The significant assumptions made concerning future events include the expected percentage of warranty claims and average repair costs.

33 SHARE CAPITAL

	Number of shares	Share capital HK$	Par value per shares HK$
Authorised:			
At 1 January 2022, 31 December 2022 and 2023	10,000,000,000	1,000,000,000	0.10
Issued and fully paid:			
At 1 January 2022	1,345,200,000	134,520,000	0.10
Issuance of shares (Note a)	106,370,000	10,637,000	0.10
Issuance of shares (Note b)	106,340,000	10,634,000	0.10
Issuance of shares (Note c)	164,750,000	16,475,000	0.10
At 31 December 2022	1,722,660,000	172,266,000	0.10
Issuance of shares (Note d)	125,340,000	12,534,000	0.10
At 31 December 2023	1,848,000,000	184,800,000	0.10

Notes:

a) On 16 June 2022, 106,370,000 shares were allotted and issued way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.

b) On 13 July 2022, 106,340,000 shares were allotted and issued way of conversion of convertible bonds originally due in 2019 and reorganised in 2022.

c) On 19 July 2022, 164,750,000 shares were allotted and issued by way of consideration issue for the purpose of capitalising outstanding debts of the Group.

d) In June 2023, the Company and several creditors entered into settlement agreements, pursuant to which the Company allotted and issued to the creditors for an aggregate of 125,340,000 shares at the price of HK$0.10 per share. The subscription amounts payable by the creditors under the settlement agreements were satisfied by capitalising the indebted amounts due from the Company of HK$12,537,076 out of the outstanding sum. The differences between the fair value of shares issued and the indebted amounts of approximately RMB5,437,000 were recognised in profit or loss.

	2023 RMB'000	2022 RMB'000
Share capital presented in consolidated statement of financial position	**155,959**	144,631

34 DISPOSAL OF A SUBSIDIARY

Disposal of 上海淅減汽車懸架有限公司

During the year ended 31 December 2022, the Group entered into an agreement to dispose of its equity interest in 上海淅減汽車懸架有限公司 of approximately RMB4,040,000. The purpose of the disposal is to generate cash for the expansion of the Group's other business. The disposal was completed on 2 August 2022, on which date the Group lost control of 上海淅減汽車懸架有限公司 and a gain of approximately RMB3,600,000 arising on disposal was resulted.

Analysis of assets and liabilities of 上海淅減汽車懸架有限公司 over which control was lost:

	RMB'000
Property, plant and equipment (Note 15)	225
Trade and other receivables	42,693
Bank balances and cash	599
Trade and other payables	(41,260)
Net assets disposal of	2,257

	RMB'000
Consideration received	4,040
Less: Share of net assets disposal of	(2,257)
Add:	
Non-controlling interest	1,213
Fair value of remaining 6.01% equity interest held by the Group	604
Gain on disposal of 上海淅減汽車懸架有限公司	3,600

	RMB'000
Cash consideration	4,040
Less: bank balances and cash	(599)
Net cash inflows on disposal of 上海淅減汽車懸架有限公司	3,441

35 COMMITMENTS

	2023 RMB'000	2022 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	**29,415**	28,175

36 RELATED PARTY TRANSACTIONS

No 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.

37 FINANCIAL INSTRUMENTS BY CATEGORIES

		2023 RMB'000	2022 RMB'000
Financial assets			
Amounts due from joint ventures	At amortised cost	**92,573**	139,523
Amount due from an associate	At amortised cost	**4,353**	81,307
Trade and other receivables	At amortised cost	**966,858**	723,156
Loans and interests receivables	At amortised cost	**49,160**	6,373
Financial assets measured at FVTPL	FVTPL	**241,843**	293,878
Security account balances	At amortised cost	**–**	9
Restricted bank balances	At amortised cost	**245,134**	248,675
Bank balances and cash	At amortised cost	**171,613**	161,356
Financial liabilities			
Trade and other payables	At amortised cost	**1,289,078**	1,213,062
Borrowings	At amortised cost	**1,689,213**	1,421,257
Convertible bonds	At amortised cost	**958,540**	860,350
Derivative financial liabilities	FVTPL	**–**	4,236
Lease liabilities	At amortised cost	**18,983**	7,940

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	**2023 RMB'000**	2022 RMB'000
Loss before income tax		**(366,228)**	(419,909)
Adjustments for:			
Amortisation of intangible assets	19	**8,982**	8,380
Depreciation of property, plant and equipment	15	**43,840**	47,034
Depreciation of right-of-use assets	16(i)	**11,268**	13,924
Losses on disposal of property, plant and equipment	8	**28**	1,627
Fair value changes of financial assets measured at FVTPL		**33,130**	23,423
Fair value changes of derivative financial liabilities	30	**(4,307)**	(62,216)
Day one fair value loss on issue of convertible bonds		**–**	167
Government grants		**(5,155)**	(13,377)
Provision of warranty		**21,218**	33,342
Interest income	7	**(11,916)**	(13,680)
Interest expense	11	**161,070**	198,278
Waiver of convertible bonds interest		**–**	(143)
Dividends received from financial assets measured at FVTPL	8	**(1,820)**	(3,035)
Impairment loss recognised in respect of interests in joint ventures	18	**–**	12,862
Share of results of joint ventures	18	**54,700**	21,361
Share of results of associates	17(d)	**5,524**	1,978
Provision for impairment of inventories	24	**5,442**	11,154
ECL, net of reversal		**247,476**	16,192
Gain on disposal of a subsidiary	8	**–**	(3,600)
(Gains)/loss on deemed on disposal of joint ventures	8	**(2,768)**	16,650
Loss on disposal of an associate	8	**107**	–
Gain on early termination of lease agreements		**(347)**	–
Gains upon settlement of borrowings	8	**(5,437)**	–
Movement in exchange reserve		**(13,442)**	168,981

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

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

	2023 **RMB'000**	2022 RMB'000
Operating cash flows before movements in working capital	**181,365**	59,393
Changes in working capital:		
Inventories	**(4,615)**	(82,178)
Trade and other receivables	**(367,503)**	57,212
Loans and interests receivables	**(618)**	26,434
Restricted bank balances	**3,541**	(56,611)
Trade and other payables	**68,105**	80,796
Contract liabilities	**39,230**	(8,664)
Provisions	**(18,944)**	(26,764)
Cash (used in)/generated from operations	**(99,439)**	49,618

(b) Net debt reconciliation

	Borrowings RMB'000	**Convertible bonds and derivative financial liabilities** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2022	1,551,288	824,674	13,809	2,389,771
Financing cash flows	(169,407)	(44,861)	(10,447)	(224,715)
Finance cost recognised (Note 11)	87,562	110,372	344	198,278
Non-cash changes	(67,466)	(96,367)	4,234	(159,599)
Exchange realignment	19,280	70,768	–	90,048
At 31 December 2022 and 1 January 2023	1,421,257	864,586	7,940	2,293,783
Financing cash flows	**193,787**	**–**	**(8,783)**	**185,004**
Finance cost recognised (Note 11)	**74,372**	**85,887**	**811**	**161,070**
Non-cash changes	**(11,384)**	**(4,307)**	**19,140**	**3,449**
Exchange realignment	**11,181**	**12,374**	**(125)**	**23,430**
At 31 December 2023	**1,689,213**	**958,540**	**18,983**	**2,666,736**

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

(c) Non-cash transaction

(i) For the year ended 31 December 2023, borrowing of approximately RMB11,384,000 were settled by way of issuance of shares by the Company (Note 33).

(ii) The Group had additions to right-of-use assets and lease liabilities with same amount of approximately RMB21,553,000 (2022: RMB4,234,000) for the year ended 31 December 2023.

39 SHARE OPTION SCHEME/SHARE-BASED PAYMENT

In October 2011, the Company terminated a share option scheme adopted by October 2011 (the "**Share Option Scheme 2011**") and approved and adopted a share option scheme (the "**Share Option Scheme 2021**") 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 years ended 31 December 2023 and 2022, no share options was granted under the Share Option Scheme 2021 by the Company. As at 31 December 2023, 10,000,000 share options granted under the Share Option Scheme 2011 were outstanding and no share options under the Share Option Scheme 2021 were outstanding (2022: same).

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

	Number of share options
Outstanding as at 1 January 2022, 31 December 2022 and 2023	10,000,000

40 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2023 and 2022 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 2023	2022	Principal activities and place of operation	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)	The PRC 23 May 2008	RMB3,000,000	**100%**	100%	Education service, The PRC	Domestic limited liability company
CFCG Investment Partners International (Singapore) PTE. LTD.	Singapore 24 May 2016	SGD2,000,000	**100% (directly)**	100% (directly)	Investment holding, Singapore	Private limited liability company
China Sunrise Asset Management Limited (formerly known as New Momentum Asset Management Limited)	Hong Kong 4 June 2014	HK$43,000,000	**100%**	100%	Asset Management, Hong Kong	Private limited liability company
China Sunrise Capital Holdings Limited (formerly known as First Capital Financial Group Limited)	The BVI 28 November 2012	US$1	**100% (directly)**	100% (directly)	Investment holding, The BVI	Private limited liability company
China Sunrise Capital Limited (formerly known as First Capital International Finance Limited)	Hong Kong 25 February 2016	HK$59,000,000	**100%**	100%	Financial advisory, Hong Kong	Private limited liability company
China Sunrise Securities (International) Limited (formerly known as First Capital Securities Limited)	Hong Kong 23 July 2015	HK$300,000,000	**100%**	100%	Dealing and underwriting in Securities, Hong Kong	Private limited liability company
First Capital Education Investment (Shenzhen) Company Limited* (首控教育投資(深圳)有限公司)	The PRC 9 March 2016	RMB100,000,000	**100%**	100%	Investment holding, The PRC	Domestic limited liability company
First Capital Finance Limited	Hong Kong 29 January 2015	HK$10,000,000	**100% (directly)**	100% (directly)	Credit financing, Hong Kong	Private limited liability company
First Capital International Investments Holdings Limited	Hong Kong 23 September 2015	HK$100,000,000	**100%**	100%	Investment holding, Hong Kong	Private limited liability company

40 SUBSIDIARIES *(Continued)*

(a) Particulars of the principal subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group		Principal activities and place of operation	Legal form
			2023	2022		
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)	The PRC 23 December 2016	US$2,000,000	**100%**	100%	Fund management, The PRC	Domestic 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, Hong Kong	Private limited liability company
Nanyang Cijan*(南陽淅減汽車減振器有限公司)	The PRC 23 June 2005	HK$320,000,000	**46.25%@**	46.25%@	Research, development and manufacture of automobile shock absorber and suspension system products, The PRC	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)	The PRC 14 August 2012	RMB10,000,000	**46.25%@**	46.25%@	Research, development and manufacture of automobile shock absorber and suspension system products, The PRC	Domestic limited liability company
Shanghai Shenlian Investment Management Company Limited* (上海申聯投資管理有限公司)	The PRC 30 March 2007	RMB2,000,000	**100%**	100%	Investment holding, The PRC	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)	The PRC 22 April 2015	HK$50,000,000	**100%**	100%	Immigration consulting business, The PRC	Foreign invested limited liability company

40 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 2023	2022	Principal activities and place of operation	Legal form
Sichuan Yujiage Hotel Management Company Limited* (四川裕嘉閣酒店管理有限公司)	The PRC 1 August 2012	RMB120,000,000	**100%**	100%	Investment holding, The PRC	Domestic limited liability company
Tianjin Shuze Corporate Management Company Limited (formerly known as First Capital Fund Management Company Limited)* (天津書澤企業管理有限公司)	The PRC 14 September 2012	RMB500,000,000	**100%**	100%	Corporate management, The PRC	Domestic 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, Italy	Private limited liability company
Wuxi First Capital Corporate Management Partnership (Limited Partnership) (formerly known as "Wuxi First Capital Equity Investment Fund Management Center (Limited Partnership)")* (無錫首控企業管理合夥企業（有限合夥）（前稱為"無錫首控股權投資基金管理中心（有限合夥）"))	The PRC 26 April 2016	RMB318,000,000	**100%**	100%	Equity investment, The PRC	Limited partnership
Xinjiang Edukeys	The PRC 29 November 2016	RMB5,000,000	**100%**	100%	Education service, The PRC	Domestic limited liability company

None of the above subsidiaries had issued any debt securities during the years or at the end of reporting period.

@ Although the Group owns not more than half of the effective equity interest in these entities, it is able to control more than half of the voting rights by non-wholly owned subsidiaries by virtue of the fact that majority of directors of these entities are elected by the Group and the boards of these entities are able to direct the activities of these entities which significantly affect the returns. The decisions are made by simple majority. It follows that the Group should consolidate these entities as subsidiaries in the Group's consolidated financial statements.

* The English name is for identification purpose only.

40 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		Total comprehensive (loss)/ income for the year allocated to non-controlling interest		Accumulated non-controlling interest	
		2023	2022	**2023**	2022	**2023**	2022
		RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guang Da	The PRC	**53.75%**	53.75%	**(18,249)**	1,354	**8,770**	27,125
Individually immaterial subsidiaries with non-controlling interests				**(568)**	(194)	**42,720**	43,286
Total				**(18,817)**	1,160	**51,490**	70,411

Summarised financial information in respect 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	
	2023	2022
	RMB'000	RMB'000
Current assets	**1,421,858**	1,192,217
Non-current assets	**700,134**	748,846
Current liabilities	**(2,064,845)**	(1,635,887)
Non-current liabilities	**(125,219)**	(339,079)
Equity	**(76,842)**	(61,028)
Non-controlling interests	**8,770**	27,125
Revenue	**1,743,164**	1,163,517
(Loss)/profit for the year	**(33,709)**	2,520
Other comprehensive (loss)/income	**(230)**	115
Total comprehensive (loss)/income	**(33,939)**	2,635
Summarised cash flows		
Cash flows from operating activities	**(113,090)**	176,158
Cash flows from investing activities	**(73,237)**	(47,649)
Cash flows from financing activities	**204,703**	(106,777)
Net increase in cash and cash equivalents	**18,376**	21,732

41 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**10**	16
Right-of-use assets	**–**	138
Interests in subsidiaries	**55,259**	54,805
Interests in joint ventures	**–**	27,206
Amounts due from subsidiaries	**105,159**	638,544
	160,428	720,709
Current assets		
Amount due from a joint venture	**–**	4,042
Deposits, prepayment and other receivables	**20,763**	3,260
Financial assets measured at FVTPL	**25,387**	26,594
Security account balances	**–**	7
Bank balances and cash	**69**	891
	46,219	34,794
Total assets	**206,647**	755,503
LIABILITIES		
Non-current liabilities		
Borrowings	**286,819**	262,943
Current liabilities		
Other payables	**21,480**	42,042
Amounts due to subsidiaries	**160,532**	147,581
Borrowings	**560,689**	549,563
Convertible bonds	**958,540**	860,350
Derivative financial liabilities	**–**	4,236
Lease liabilities	**–**	140
	1,701,241	1,603,912
Total liabilities	**1,988,060**	1,866,855
Net current liabilities	**(1,655,022)**	(1,569,118)
Total assets less current liabilities	**(1,494,594)**	(848,409)
Net liabilities	**(1,781,413)**	(1,111,352)

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

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

	Notes	2023 RMB'000	2022 RMB'000
OWNERS' EQUITY			
Share capital	33	**155,959**	144,631
Reserves	41(b)	**(1,937,372)**	(1,255,983)
		(1,781,413)	(1,111,352)

The statement of financial position of the Company was approved by the board of directors of the Company on 27 March 2024 and were signed on its behalf.

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

41 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 2022	31,495	4,360	(67,337)	(777,973)	(809,455)
Loss for the year	–	–	–	(597,518)	(597,518)
Exchange difference arising on translation of presentation currency	–	–	81,690	–	81,690
Total comprehensive income/(loss)	–	–	81,690	(597,518)	(515,828)
Transactions with owners in their capacity as owners:					
Issuance of shares upon settlement of borrowings (Note 33)	53,310	–	–	–	53,310
Issuance of shares upon conversion of convertible bonds (Note 33)	15,990	–	–	–	15,990
At 31 December 2022	100,795	4,360	14,353	(1,375,491)	(1,255,983)
Loss for the year	**–**	**–**	**–**	**(661,153)**	**(661,153)**
Exchange difference arising on translation of presentation currency	**–**	**–**	**(14,799)**	**–**	**(14,799)**
Total comprehensive loss	**–**	**–**	**(14,799)**	**(661,153)**	**(675,952)**
Transactions with owners in their capacity as owners:					
Issuance of shares upon settlement of borrowings (Note 33)	**(5,437)**	**–**	**–**	**–**	**(5,437)**
Transferred share premium to accumulated losses	**(95,358)**	**–**	**–**	**95,358**	**–**
At 31 December 2023	**–**	**4,360**	**(446)**	**(1,941,286)**	**(1,937,372)**

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				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(restated)	
Revenue	**1,833,720**	1,199,912	1,093,830	1,029,966	1,436,037
Cost of sales/services	**(1,432,595)**	(997,802)	(923,539)	(849,160)	(1,075,822)
Gross profit	**401,125**	202,110	170,291	180,806	360,215
Other income and expenses, other gains and losses	**22,577**	(114,720)	(134,772)	23,997	(947,673)
Expected credit losses/impairment losses, net of reversal	**(247,476)**	(16,192)	(18,919)	(103,176)	(196,937)
Impairment losses on goodwill, tangible and intangible assets	**–**	–	(379,103)	(48,467)	(271,396)
Impairment losses on interests in joint ventures	**–**	(12,862)	(21,232)	(15,183)	–
Selling and distribution expenses	**(62,009)**	(55,348)	(114,636)	(42,357)	(125,759)
R&D expenditure	**(104,344)**	(64,509)	(59,903)	(53,992)	(51,327)
Administrative expenses	**(154,807)**	(136,771)	(138,086)	(197,320)	(343,317)
Finance costs	**(161,070)**	(198,278)	(197,445)	(206,821)	(285,991)
Share of results in associates	**(5,524)**	(1,978)	(105)	(1,345)	1,231
Share of results in joint ventures	**(54,700)**	(21,361)	6,601	10,856	(397,737)
Loss before tax	**(366,228)**	(419,909)	(887,309)	(453,002)	(2,258,691)
Taxation	**239**	333	1,711	6,090	1,491
Loss for the year from continuing operations	**(365,989)**	(419,576)	(885,598)	(446,912)	(2,257,200)
(Loss)/profit for the year from discontinued operations, net of tax	**–**	–	(216,916)	44,684	–
Loss for the year	**(365,989)**	(419,576)	(1,102,514)	(402,228)	(2,257,200)
Other comprehensive (expense)/income the year, net of income tax	**(30,865)**	80,461	(126,883)	(99,754)	69,528
Total comprehensive expense for the year	**(396,854)**	(339,115)	(1,229,397)	(501,982)	(2,187,672)

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (restated)	RMB'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(347,172)**	(420,736)	(968,233)	(373,724)	(2,187,830)
Non-controlling interests	**(18,817)**	1,160	(134,281)	(28,504)	(69,370)
	(365,989)	(419,576)	(1,102,514)	(402,228)	(2,257,200)
Loss per Share# – Basic (RMB)	**(0.19)**	(0.28)	(0.88)	(0.37)	(2.18)
– Diluted (RMB)	**(0.19)**	(0.28)	(0.88)	(0.37)	(2.18)

The weighted average number of ordinary Shares for the purpose of calculating the basic and diluted 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				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**846,635**	904,832	1,013,994	2,046,263	2,786,759
Current assets	**1,960,673**	1,846,366	2,042,220	2,408,962	3,025,834
Total assets	**2,807,308**	2,751,198	3,056,214	4,455,225	5,812,593
Current liabilities	**(3,770,345)**	(3,137,876)	(3,281,057)	(3,204,084)	(3,743,467)
Total assets less current liabilities	**(963,037)**	(386,678)	(224,843)	1,251,141	2,069,126
Non-current liabilities	**(454,778)**	(640,174)	(563,322)	(729,799)	(1,009,078)
Total (deficit in equity)/equity	**(1,417,815)**	(1,026,852)	(788,165)	521,342	1,060,048
Non-controlling interests	**51,490**	70,411	70,579	328,045	397,341
Owners of the Company	**(1,469,305)**	(1,097,263)	(858,744)	193,297	662,707

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 same meanings set out below:

"2022 Financial Year"	the financial year ended 31 December 2022
"2023 Financial Year"	the financial year ended 31 December 2023
"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
"Co-Chairman" or "Co-Chairmen"	the co-chairman or co-chairmen of the Board
"Champion Sense"	Champion Sense Global Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly non-wholly owned by China Huarong
"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
"China Huarong"	China CITIC Financial Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Co., Ltd.), a company incorporated in the PRC, whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 2799
"Chuang Yue"	Hongkong Chuang Yue Co., Limited, a company incorporated in Hong Kong with limited liability, a Shareholder, and indirectly wholly-owned by Mr. Liu Kun
"Co-CEO(s)"	the co-chief executive officer(s) of the Company
"Company"	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

“Convertible Bonds”	the convertible bonds in the initial principal amount of HK$800,000,000 issued by the Company on 14 December 2017, as revised with effect from 16 May 2022
“Corporate Communications”	the documents issued or to be issued by the Company for the information or action of holders of any of the Company’s securities as defined in Rule 1.01 of the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“ECL”	expected credit losses
"Edukeys Group"	collectively, Xinjiang Edukeys International Education Services Co., Ltd.*(新疆中際育才教育咨詢有限公司) and its subsidiaries
“EGM”	the extraordinary general meeting of the Company
“ESG”	environmental, social and governance
"ESG Executive Committee"	the ESG executive committee of the Company
"ESG Report"	the 2023 ESG report of the Company
"ESG Reporting Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 (formerly known as Appendix 27) to the Listing Rules
“FVTPL”	fair value through profit or loss
"GHG"	greenhouse gas
“Group” or “CFCG”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HK$”	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
"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
"KPI(s)"	key performance indicator(s)
"Latest Practicable Date"	18 April 2024, 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 C3 (formerly known as Appendix 10) to the Listing Rules
"Nanyang Cijan"	Nanyang Cijan Auto Shock Absorber Co., Ltd.*(南陽淅減汽車減振器有限公司), a company incorporated in the PRC with limited liability and indirectly non-wholly owned by the Company
"Nomination Committee"	the nomination committee of the Company
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission

"SFO"	the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	the share award scheme adopted by the Board on 5 July 2022
"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"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America
"Wealth Max"	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a Shareholder, and wholly-owned by Dr. Wilson Sea, the Co-Chairman and an executive Director
"%"	per cent

* *For identification purpose only*

CFCG

中國首控集團有限公司

China First Capital Group Limited