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CHINA FIRST CAPITAL GROUP LIMITED

中國首控集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1269)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

<i>RMB' million</i>	For the year ended 31 December		Increase/ (Decrease)
	2023	2022	
Revenue	1,833.7	1,199.9	52.8%
Loss for the year attributable to owners of the Company	(347.2)	(420.7)	(17.5%)
Basic loss per Share	RMB(0.19)	RMB(0.28)	(32.1%)
	As at	As at	Increase/ (Decrease)
<i>RMB' million</i>	31 December 2023	31 December 2022	
Total assets	2,807.3	2,751.2	2.0%
Deficit in equity attributable to owners of the Company	(1,469.3)	(1,097.3)	33.9%
Net liability per Share ^(Note)	RMB(0.80)	RMB(0.64)	25.0%

Note:

Net liability per Share is arrived at by dividing the deficit in equity attributable to owners of the Company by the number of issued Shares as at the end of the year.

ANNUAL RESULTS

The Board hereby announces the consolidated results of the Group for the year ended 31 December 2023.

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	3	1,833,720	1,199,912
Cost of sales and services		<u>(1,432,595)</u>	<u>(997,802)</u>
Gross profit		401,125	202,110
Other income and expenses		64,911	45,969
Other losses, net	4	(13,511)	(199,315)
ECL, net of reversal		(247,476)	(16,192)
Selling and distribution expenses		(62,009)	(55,348)
R&D expenditure		(104,344)	(64,509)
Administrative expenses		<u>(154,807)</u>	<u>(136,771)</u>
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 on 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		<u>(366,228)</u>	<u>(419,909)</u>
Income tax credit	5	<u>239</u>	<u>333</u>
Loss for the year		<u>(365,989)</u>	<u>(419,576)</u>

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other comprehensive (loss)/income			
<i>Item that may not be reclassified subsequently to profit or loss:</i>			
Currency translation differences		<u>(30,865)</u>	<u>80,461</u>
Other comprehensive (loss)/income for the year, net of income tax		<u>(30,865)</u>	<u>80,461</u>
Total comprehensive loss for the year		<u>(396,854)</u>	<u>(339,115)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		<u>(347,172)</u>	<u>(420,736)</u>
Non-controlling interests		<u>(18,817)</u>	<u>1,160</u>
		<u>(365,989)</u>	<u>(419,576)</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		<u>(377,933)</u>	<u>(340,160)</u>
Non-controlling interests		<u>(18,921)</u>	<u>1,045</u>
		<u>(396,854)</u>	<u>(339,115)</u>
Loss per Share attributable to owners of the Company (RMB)			
	7		
Basic loss per Share		<u>(0.19)</u>	<u>(0.28)</u>
Diluted loss per Share		<u>(0.19)</u>	<u>(0.28)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		479,952	485,868
Right-of-use assets		130,330	122,217
Interests in associates		23,144	4,527
Interests in joint ventures		65,727	140,444
Intangible assets		139,049	143,282
Other receivables	8	8,433	8,494
		846,635	904,832
Current assets			
Inventories		146,302	147,129
Amounts due from joint ventures		92,573	139,523
Amount due from an associate		4,353	81,307
Trade and other receivables	8	1,009,695	768,116
Loan and interest receivables		49,160	6,373
Financial assets measured at FVTPL		241,843	293,878
Security account balances		–	9
Restricted bank balances		245,134	248,675
Bank balances and cash		171,613	161,356
		1,960,673	1,846,366
Total assets		2,807,308	2,751,198
LIABILITIES			
Non-current liabilities			
Other payables	9	–	137
Borrowings	10	381,560	566,559
Lease liabilities		8,164	1,901
Deferred income		30,386	35,157
Deferred tax liabilities		34,668	36,420
		454,778	640,174

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>9</i>	1,357,862	1,289,620
Borrowings	<i>10</i>	1,307,653	854,698
Convertible Bonds		958,540	860,350
Derivative financial liabilities		–	4,236
Lease liabilities		10,819	6,039
Income tax payable		26,468	55,050
Deferred income		5,049	5,433
Contract liabilities		45,595	6,365
Provisions		58,359	56,085
		<u>3,770,345</u>	<u>3,137,876</u>
Total liabilities		<u>4,225,123</u>	<u>3,778,050</u>
Net current liabilities		<u>(1,809,672)</u>	<u>(1,291,510)</u>
Total assets less current liabilities		<u>(963,037)</u>	<u>(386,678)</u>
Net liabilities		<u>(1,417,815)</u>	<u>(1,026,852)</u>
OWNERS' EQUITY			
Share capital	<i>11</i>	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		<u>(1,417,815)</u>	<u>(1,026,852)</u>

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing of automotive parts, education management and consultation, and financial services.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 April 2011. The Shares has been listed on the Stock Exchange with effect from 23 November 2011. Up to the date of issuance of these consolidated financial statements, the Company does not have a controlling party.

The financial statements are presented in RMB and rounded to nearest thousand (RMB'000) unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared 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 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.

(a) Going concern basis

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, including derivative financial liabilities, amounted to approximately RMB2,648 million (31 December 2022: 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 about 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;
- (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 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.

(b) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for its annual reporting period commencing 1 January 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.

(c) 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

3. REVENUE AND 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, 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 consultation business – engage in the business of provision of international high school curriculum and overseas study consultation services.
- Financial services business – engage in the business of listing sponsorship, dealing in securities, underwriting and placing securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management.

(b) Segment revenue and segment results

	Segment revenue		Segment results	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automotive parts business	1,743,164	1,127,031	(1,114)	53,538
Education management and consultation 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)

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

Segments	For the year ended 31 December 2023			
	Automotive parts business <i>RMB'000</i>	Education management and consultation business <i>RMB'000</i>	Financial services business <i>RMB'000</i>	Total <i>RMB'000</i>
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				
Interest income	–	–	7,037	7,037
Segment revenue	1,743,164	55,257	35,299	1,833,720
For the year ended 31 December 2022				
Segments	Automotive parts business <i>RMB'000</i>	Education management and consultation business <i>RMB'000</i>	Financial services business <i>RMB'000</i>	Total <i>RMB'000</i>
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				
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. Segment results represent the profit/(losses) of each operating segment, conforming to the same measurement reported to the CODMs 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 CODMs. 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 expense.

(c) Geographical information

The Group principally operates in the PRC.

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

4. OTHER LOSSES, NET

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
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	–	3,600
Gain/(loss) on deemed disposal of joint ventures	2,768	(16,650)
Gain on de-registration of subsidiaries	–	13
Gains upon settlement of borrowings	5,437	–
Others	1,185	6,375
	<u>(13,511)</u>	<u>(199,315)</u>

5. INCOME TAX CREDIT

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax:		
– PRC Enterprise Income Tax (“EIT”)	1,513	1,618
Over-provision in prior year:		
– PRC EIT	–	(199)
	<u>1,513</u>	<u>1,419</u>
Deferred tax	<u>(1,752)</u>	<u>(1,752)</u>
Income tax credit	<u>(239)</u>	<u>(333)</u>

6. DIVIDENDS

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

7. 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 for the years ended 31 December 2023 and 2022.

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

(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.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Trade receivables	866,850	485,568
Less: allowance for trade receivables	<u>(173,625)</u>	<u>(38,044)</u>
	693,225	447,524
Bills receivables	190,022	108,037
Rental deposits, prepayments and other receivables	147,545	228,665
Less: allowance for other receivables	<u>(63,441)</u>	<u>(43,341)</u>
	967,351	740,885
Prepayment to suppliers of automotive parts	<u>50,777</u>	<u>35,725</u>
	1,018,128	776,610
Less: non-current portion Other receivables	<u>(8,433)</u>	<u>(8,494)</u>
Current portion	<u>1,009,695</u>	<u>768,116</u>

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:

	As at 31 December 2023 RMB'000	As at 31 December 2022 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	<u>31,839</u>	<u>13,334</u>
	<u>693,225</u>	<u>447,524</u>

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

	As at 31 December 2023 RMB'000	As at 31 December 2022 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
	<u>190,022</u>	<u>108,037</u>

9. TRADE AND OTHER PAYABLES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Trade payables	694,852	613,048
Bills payables	317,168	448,886
	<u>1,012,020</u>	<u>1,061,934</u>
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
	<u>1,357,862</u>	<u>1,289,757</u>
Less: non-current portion		
Other payables	-	(137)
Current portion	<u>1,357,862</u>	<u>1,289,620</u>

The aging of trade payables presented based on invoice date is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 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
	<u>694,852</u>	<u>613,048</u>

The aging of bills payables presented based on issuance date is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 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
	<u>317,168</u>	<u>448,886</u>

10. BORROWINGS

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Bank borrowings	678,400	539,900
Notes and debentures	812,501	775,955
Invoice financing loans	91,190	–
Other borrowings	107,122	105,402
Loans from government	67,732	65,717
Loans from independent third parties	39,390	39,685
	<u>1,689,213</u>	<u>1,421,257</u>
Unsecured and unguaranteed borrowings	1,155,795	1,103,035
Secured and unguaranteed borrowings	533,418	318,222
	<u>1,689,213</u>	<u>1,421,257</u>

The contractual maturity dates of borrowings are as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Within one year or on demand	1,307,653	854,698
Between one to two years	242,722	328,910
Between two to five years	138,838	227,195
Over five years	–	10,454
	<u>1,689,213</u>	<u>1,421,257</u>
Less: non-current portion	<u>(381,560)</u>	<u>(566,559)</u>
Current portion	<u>1,307,653</u>	<u>854,698</u>

Note: As at 31 December 2023, the total outstanding principals and accrued interests of borrowings amounted to approximately RMB571 million were in default due to late or overdue payment and were classified as current liabilities.

11. SHARE CAPITAL

	Number of Shares	Share capital HK\$	Par value per Share HK\$
Authorised:			
At 1 January 2022, 31 December 2022 and 31 December 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 (<i>Note a</i>)	106,370,000	10,637,000	0.10
Issuance of Shares (<i>Note b</i>)	106,340,000	10,634,000	0.10
Issuance of Shares (<i>Note c</i>)	164,750,000	16,475,000	0.10
At 31 December 2022	1,722,660,000	172,266,000	0.10
Issuance of Shares (<i>Note d</i>)	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 by 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 by 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.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Share capital presented in the consolidated statement of financial position	155,959	144,631

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 initial public offering (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 year ended 31 December 2023, 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 year ended 31 December 2023, 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 Cijian (哪裏有汽車, 哪裏就有漸減)”.

For the year ended 31 December 2023, 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 year ended 31 December 2023, 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 year ended 31 December 2023, 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 year ended 31 December 2022, 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 year ended 31 December 2022, revenue from financial services business increased by approximately 61.2% to approximately RMB35.3 million from approximately RMB21.9 million for the year ended 31 December 2022, 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 year ended 31 December 2022. The increase in revenue was mainly due to the increase in sales of automotive parts business.

Cost of sales and services

For the year ended 31 December 2023, 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 year ended 31 December 2022, 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 year ended 31 December 2022, cost of services from financial services business increased by approximately 281.3% to approximately RMB6.1 million from approximately RMB1.6 million for the year ended 31 December 2022, 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 year ended 31 December 2022. The increase in cost of sales and services was mainly due to the increase in sales of automotive parts business.

Gross profit

For the year ended 31 December 2023, the overall gross profit of the Group increased by approximately 98.5% to approximately RMB401.1 million from approximately RMB202.1 million for the year ended 31 December 2022, 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 year ended 31 December 2022, gross profit from financial services business increased by approximately 43.1% to approximately RMB29.2 million from approximately RMB20.4 million for the year ended 31 December 2022, 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 year ended 31 December 2022. 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 year ended 31 December 2023, 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 year ended 31 December 2022, 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 year ended 31 December 2022, gross profit margin of financial services business decreased by approximately 10.0 percentage point to approximately 82.7% from approximately 92.7% for the year ended 31 December 2022, 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 year ended 31 December 2022.

Other income and expenses

For the year ended 31 December 2023, 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 year ended 31 December 2022. Such income primarily represented government grants.

Other losses, net

For the year ended 31 December 2023, 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 year ended 31 December 2022. 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 year ended 31 December 2023, 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 year ended 31 December 2022.

Selling and distribution expenses

For the year ended 31 December 2023, 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 year ended 31 December 2022. 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 year ended 31 December 2023, the R&D expenditure of the Group increased by approximately 61.7% to approximately RMB104.3 million from approximately RMB64.5 million for the year ended 31 December 2022. 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 year ended 31 December 2023, the administrative expenses of the Group increased by approximately 13.2% to approximately RMB154.8 million from approximately RMB136.8 million for the year ended 31 December 2022. Such increase was mainly due to the increase in remuneration expenses of automotive parts business and financial service business.

Finance costs

For the year ended 31 December 2023, the finance costs of the Group decreased by approximately 18.8% to approximately RMB161.1 million from approximately RMB198.3 million for the year ended 31 December 2022. Such decrease was mainly due to the decline in interest rate.

Taxation

For the year ended 31 December 2023, 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 year ended 31 December 2022.

Loss for the year

For the year ended 31 December 2023, 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 year ended 31 December 2022. 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 year ended 31 December 2023, 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 year ended 31 December 2022.

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 year ended 31 December 2023, 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 year ended 31 December 2023, 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 year ended 31 December 2023, 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 year ended 31 December 2023, the Group had no material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2023, the Company had complied with the Corporate Governance Code so as to enhance the corporate governance standard of the Company. For the year ended 31 December 2023, there had been no material changes of the corporate governance practices as compared with the information disclosed in the annual report for the year ended 31 December 2022 of the Company.

None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code for the year ended 31 December 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the year ended 31 December 2023.

COMPETITION AND CONFLICT OF INTERESTS

As at the date of this announcement, none of the Directors has, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the business of the Group or has or may have any other conflict of interests with the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19 October 2011, a share option scheme (the “**Share Option Scheme 2011**”) was approved and adopted by the Company. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 9 June 2021, the Share Option Scheme 2011 was terminated and a new share option scheme (the “**Share Option Scheme 2021**”) was approved and adopted by the Company. The Share Option Scheme 2021 will remain in force for a period of 10 years from the date of its adoption.

For the year ended 31 December 2023, no share options were granted or agreed to be 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.

SHARE AWARD SCHEME

On 5 July 2022, the Board resolved to adopt a share award scheme (the “**Share Award Scheme**”), which will remain in force for a period of 10 years from the date of its adoption. The Board would determine the timing of awards, list of selected persons, the timing and condition of vesting and number of awarded shares based on the overall results and performance of the Group and contributions made by the eligible persons, as part of the overall remuneration system of the Group.

For the year ended 31 December 2023, 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 remain unvested.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2023, 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 of Hong Kong (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. As at the date of this announcement, the hearing of the **Petition II** had been adjourned to 10 April 2024. For details, please refer to the announcements of the Company dated 20 December 2023 and 28 February 2024.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Auditor, Linksfield CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023 as approved by the Board on 27 March 2024. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

EXTRACT OF THE AUDITOR’S REPORT

The below sections set out an extract of the report by the Auditor, regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

Disclaimer of Opinion

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. 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 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.

These conditions, together with other matters described in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company (the “**Directors**”) 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.

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

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

- (i) The 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 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 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. The Company has considered the rationale of the Auditor and understood its consideration in arriving the disclaimer of opinion.

VIEW OF THE AUDIT COMMITTEE ON THE DISCLAIMER OF OPINION

The Company has established the Audit Committee pursuant to Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference in compliance with the requirements of the Corporate Governance Code, to review and supervise the effectiveness of the financial reporting systems and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the consolidated financial statements and annual results of the Group for the year ended 31 December 2023 and expressed no disagreement with the accounting policies and principles adopted by the Group.

The Audit Committee has reviewed the basis for disclaimer of opinion, the position, view and assessment of the Company on the disclaimer of opinion and measures taken and to be taken by the Company for addressing the basis for disclaimer of opinion. The Audit Committee agreed with the position of the Company. 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, measures taken and to be taken by the Company, and considered the rationale of the Auditor and understood its consideration in arriving the disclaimer of opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Friday, 7 June 2024. Notice of the forthcoming annual general meeting will be published and despatched to the Shareholders in accordance with the articles of association of the Company 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 this period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, 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 RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cfcg.com.hk. The annual report of the Company for the year ended 31 December 2023, in both English and Chinese versions, will be despatched to the Shareholders to their choice of means of receipt and language of corporate communications of the Company, and will also be available on the same websites as mentioned above in due course.

APPRECIATION

The Group would like to express its sincere appreciation for the unremitting 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the same meanings set out below:

“Audit Committee”	the audit committee of the Company
“Auditor”	the auditor of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“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 on 16 May 2022
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
“Director(s)”	the director(s) of the Company
“ECL”	expected credit losses
“FVTPL”	fair value through profit or loss
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	the Hong Kong Accounting Standards
“HKFRS(s)”	the Hong Kong Financial Reporting Standard(s)

“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“R&D”	research and development
“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(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
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
China First Capital Group Limited
Chan Kwok Kee, Andy
Company Secretary

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, Mr. Zhang Li, Mr. Zhao Zhijun and Dr. Zhu Huanqiang; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan.