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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)

MAJOR TRANSACTION DISPOSAL OF SHARES IN GUANGAN AAA, POSSIBLE MAJOR TRANSACTION AND MANDATE FOR POSSIBLE DISPOSAL(S) OF SHARES IN GUANGAN AAA

The Company announces that from 5 January 2021 to 9 September 2021, Yujiage Co., an indirectly wholly-owned subsidiary of the Company, has disposed an aggregate of 5,621,476 Guangan Shares on the Shanghai Stock Exchange, representing approximately 0.46% of the total issued shares of Guangan AAA as at 9 September 2021. The aggregate consideration of the Disposal is approximately RMB18.0 million (after deduction of the relevant transaction costs). The Disposal was made based on the market price of Guangan Shares at the time of disposal.

The Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 39,000,000 Guangan Shares, representing approximately 3.16% of the total issued shares of Guangan AAA as at the date of this announcement, during the Mandate Period.

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, when aggregated with disposals and acquisition of Guangan Shares made by Yujiage Co. within 12 months immediately preceding the Disposal, exceeds 25% but are less than 75%, such transactions in aggregate constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Assuming that 39,000,000 Guangan Shares currently held by the Group will have been disposed of within the Mandate Period at the Minimum Selling Price, one or more applicable percentage ratios of the Possible Disposal(s) when aggregated with transactions conducted in the previous 12-month period from the relevant Possible Disposal will exceed 25% but less than 75%, the Possible Disposal(s) will constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will seek from the Shareholders at the EGM for ratification of the Disposal and approval of the Disposal Mandate and the Possible Disposal(s).

The Company will despatch the circular containing, among others, (i) further details of the Disposal, Disposal Mandate and the Possible Disposal(s), and (ii) the notice of EGM on or before 4 October 2021 as additional time is required for preparation of relevant information to be included in the circular.

There is no assurance that the Company will proceed with the Possible Disposal(s) after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Possible Disposal(s) or not will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Possible Disposal(s). The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

Reference is made to the announcements of the Company dated 9 December 2016, 9 October 2020 and 29 December 2020 in relation to the acquisition of equity interest in Yujiage Co and disposals and acquisition of Guangan Shares.

BACKGROUND

Including the Disposal detailed below, for the 12-month period immediately preceding 9 September 2021, Yujiage Co. has disposed of an aggregate of 21,634,276 Guangan Shares for an aggregate consideration of approximately RMB70.1 million received in cash on the Shanghai Stock Exchange, representing approximately 1.76% of the total issued shares of Guangan AAA as at 9 September 2021. From 16 October 2020 to 29 December 2020, Yujiage Co. has acquired an aggregate of 14,279 Guangan Shares for an aggregate consideration of approximately RMB47,000 in cash on the Shanghai Stock Exchange, representing approximately 0.0012% of the total issued shares of Guangan AAA as at 9 September 2021.

THE DISPOSAL

The Company announces that from 5 January 2021 to 9 September 2021, Yujiage Co., an indirectly wholly-owned subsidiary of the Company, has disposed of an aggregate of 5,621,476 Guangan Shares on the Shanghai Stock Exchange, representing approximately 0.46% of the total issued shares of Guangan AAA as at 9 September 2021. The aggregate consideration of the Disposal is approximately RMB18.0 million (after deduction of the relevant transaction costs). The Disposal was made based on the market price of Guangan Shares at the time of disposal.

Since the Disposal was made on the market, the Group is not aware of the identities of the buyers of the Disposal Shares. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the buyers of the Disposal Shares and their respective ultimate beneficial owners is an Independent Third Party.

After the Disposal, Yujiage Co. holds in total 69,380,003 Guangan Shares, representing approximately 5.63% of the total issued shares of Guangan AAA as at 9 September 2021.

INFORMATION OF GUANGAN AAA

Guangan AAA is a joint stock company established in the PRC. It is principally engaged in production and supply of electricity, hydroelectric power and natural gas and supply of drinking water in the PRC. The shares of Guangan AAA are listed on the Shanghai Stock Exchange (SHA: 600979).

According to the published financial statements of Guangan AAA, its financial results for the two years ended 31 December 2020 and 2019, respectively are as follows:

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation	242,729	302,478
Net profit after taxation	180,661	247,161

According to the published financial statements of Guangan AAA, the unaudited net asset value of Guangan AAA amounted to approximately RMB4,258.5 million as at 30 June 2021.

THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE

Given the volatility of the stock market, disposing of shares at the best possible price requires prompt disposal actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each disposal of the Guangan Shares. To allow flexibility in effecting future disposals of Guangan Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 39,000,000 Guangan Shares, representing approximately 3.16% of the total issued share capital of Guangan AAA as at the date of this announcement, during the Mandate Period.

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the EGM.

Details of the Disposal Mandate

The Disposal Mandate to be sought from the Shareholders at the EGM will be on the following terms:

1. *Mandate Period*

The Disposal Mandate is for the Mandate Period, i.e. a period of 12 months from the date of passing of the relevant ordinary resolution at the EGM.

2. *Maximum number of Guangan Shares to be disposed*

The Disposal Mandate shall authorise and empower the Directors to sell up to 39,000,000 Guangan Shares held by the Group, representing approximately 3.16% of the total issued share capital of Guangan AAA as at the date of this announcement.

3. *Scope of Authority*

The relevant designated Directors shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Possible Disposal(s), including but not limited to the number of batches of Possible Disposal, the number and selling price (no less than the Minimum Selling Price) of Guangan Shares to be sold in each Possible Disposal and the timing of each Possible Disposal.

4. *Manner of Possible Disposal(s)*

The Possible Disposal(s) shall be conducted (i) in the open market on the Shanghai Stock Exchange to Independent Third Party(ies) through the trading system of the Shanghai Stock Exchange; and/or (ii) in the off-market by directly entering into contract note(s), to dispose of, in part or in whole, sell up to 39,000,000 Guangan Shares to third party purchaser(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies). As at the date of this announcement, there is no potential purchaser who has indicated its intention to purchase the Guangan Shares from the Group.

The selling price of the Guangan Shares shall be at the then market price(s) of Guangan Shares at the relevant material time, provided that:

- (i) each Possible Disposal in the open market or in the off market shall be at market price of no more than 20% discount to the average closing price as quoted on the Shanghai Stock Exchange for the five (5) consecutive trading days immediately before the date of each Possible Disposal during the Mandate Period;

- (ii) the selling price of the Possible Disposals shall be no less than the Minimum Selling Price; and
- (iii) the total aggregate gross selling proceeds for twelve-month period including each Possible Disposal shall not be 75% or more of the market capitalisation of the Company, being the product of total number of Shares of the Company in issue and the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately before the date of each Possible Disposal.

Based on the closing price of Guangan Shares in 2021, the highest closing price is RMB3.43 and the lowest closing price is RMB2.77, the average closing price is RMB3.06. The highest daily trading volume of Guangan Shares was 96,840,242 Guangan Shares while the lowest daily trading volume of Guangan Shares was 2,436,020 Guangan Shares and the average trading volume of Guangan Shares in 2021 was approximately 15,149,295 Guangan Shares. The total number of up to 39,000,000 Guangan Shares to be disposed under the Disposal Mandate represents approximately 2.57 times of the average daily trading volume of Guangan Shares. In order to make the Guangan Shares held by Yujiage Co. to be more attractive in off market transactions, the Directors consider that it is fair and reasonable for the Company to offer certain percentage of discount to the market price. Using the average closing price of Guangan Shares of approximately RMB3.35 per Guangan Share for the five consecutive trading days up to the date of this announcement, if the Guangan Shares are sold at 20% discount to the 5-day average closing price of Guangan Shares, the proposed selling price is RMB2.68 per Guangan Share. Hence, the Directors consider the proposed discount of 20% to the 5-day average closing price immediately before the date of each Possible Disposal is fair and reasonable.

5. *Compliance*

The Possible Disposal(s) shall comply with relevant applicable laws and regulations, including any applicable trading regulations in Hong Kong and the PRC. The Group will also report on the progress of the Possible Disposal(s) in the relevant interim report as well as the annual report of the Company in compliance with the Listing Rules.

The Company will re-comply with the Listing Rules requirements and seek another shareholders' approval for the Possible Disposal(s) in the event that the Possible Disposal(s) cannot be completed within the Disposal Mandate.

6. *The Minimum Selling Price*

The Minimum Selling Price of RMB2.68 per Guangan Shares represents:

- (a) a discount of approximately 19.76% to the closing price of RMB3.34 per Guangan Share as quoted on the Shanghai Stock Exchange on the Last Trading Day;
- (b) a discount of 20.00% to the average closing price of approximately RMB3.35 per Guangan Share as quoted on the Shanghai Stock Exchange for the last 5 trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 22.54% to the net asset value per Guangan Share of approximately RMB3.46 per Guangan Share as at 30 June 2021.

The Minimum Selling Price was determined with reference to (i) the net asset value per Guangan Share; (ii) the market performance of Guangan Shares as quoted on the Shanghai Stock Exchange; and (iii) the prevailing market conditions and the uncertainty of global economy in light of the COVID-19 outbreak. The Directors consider that the Minimum Selling Price will allow flexibility for the Group to accommodate fluctuation in the market conditions in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to the Group to dispose of the Guangan Shares, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Yujiage Co. will affect the Possible Disposal(s) in the open market or in the off market by directly entering into contract note(s) with Independent Third Party purchaser(s). It is expected that the purchasers of the Guangan Shares and their respective ultimate beneficial owners will be Independent Third Parties. In the event that any purchaser of the Guangan Shares is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Assuming that all 39,000,000 Guangan Shares would have been disposed of, Yujiage Co. will hold the remaining of 30,380,003 Guangan Shares, representing approximately 2.47% of the total issued share capital of Guangan AAA as at the date of this announcement.

Yujiage Co. will hold the remaining Guangan Shares as investments and will realise the same when appropriate. The Company will comply with the Listing Rules when the Group undergoes further disposal of the remaining Guangan Shares.

INFORMATION OF THE GROUP AND REASONS FOR THE DISPOSAL AND THE DISPOSAL MANDATE

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

The interest in Guangan AAA were held by the Group as an investment. The Disposal is to realise the investment of the Group and to improve the Group’s liquidity. As a result of the Disposal, the Group is expected to recognise an unaudited loss of approximately RMB537,000, which is determined on the basis of the difference between the carrying amount of the Disposal Shares as at 31 December 2020 (adjusted by the dividends received in 2021) and proceeds from the Disposal (after deduction of the relevant transaction costs). The Group intends to use the proceeds from the Disposal to repay the liabilities of the Group.

As a result of the Disposal (in aggregation with disposals and acquisition of Guangan Shares made by Yujiage Co. within the 12 months immediately preceding the Disposal), the Group is expected to recognise a gain of approximately RMB312,000, which is determined on the basis of the difference between the carrying amount of Guangan Shares as at the date of relevant disposal (adjusted by the dividends received) and proceeds from such transactions (after deduction of the relevant transaction costs).

The purpose of the Disposal Mandate and the Possible Disposals is to realise the investment of the Group and to improve the Group’s liquidity.

As a result of the Possible Disposal(s), on the assumption that all 39,000,000 Guangan Shares would have been disposed of at RMB3.35, the Group is expected to recognise a gain of approximately RMB1,950,000, which is determined on the basis of the difference between the carrying amount of the 39,000,000 Guangan Shares as at 31 December 2020 (adjusted by the dividends received in 2021) and the expected proceeds from the Possible Disposal(s).

Given the volatility of the stock market, disposing of shares at the best possible price requires prompt disposal actions at the right timing and it would not be practicable to seek prior Shareholders’ approval for each Possible Disposal. To allow flexibility in effecting future disposals of Guangan Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate and the Possible Disposal(s) from the Shareholders at the EGM in advance to allow the Directors to dispose of the Guangan Shares during the Mandate Period.

The Possible Disposal(s) will be made with reference to the market prices on open market.

Having considered the above factors, the Directors consider that the Disposal, the Disposal Mandate and the Possible Disposal(s) are on normal commercial terms, and that the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to recognise an unaudited loss of approximately RMB537,000. As a result of the Disposal (in aggregation with disposals and acquisition of Guangan Shares within the 12 months immediately preceding the Disposal), the Group is expected to recognise a gain of approximately RMB312,000.

Based on the closing price of per Guangan Share of RMB3.34 as at the Last Trading Day, the value of the 39,000,000 Guangan Shares was approximately RMB130.3 million.

For illustrating the effect of the Possible Disposal(s) on the earnings, assets and liabilities of the Company, on the assumption that all 39,000,000 Guangan Shares would have been disposed of at RMB3.35, the Group is expected to recognise a gain of approximately RMB1,950,000, which is determined on the basis of the difference between the carrying amount of the 39,000,000 Guangan Shares as at 31 December 2020 (adjusted by the dividends received in 2021) and the expected proceeds from the Possible Disposal(s).

The Group intends to use the proceeds from the Possible Disposal(s) to repay the liabilities of the Group, pursuant to which the assets of the Group will decrease by approximately RMB130.7 million, representing approximately 2.93% and approximately 5.42% of the total assets and current assets of the Group as at 31 December 2020, respectively, the liabilities of the Group will decrease by approximately RMB130.7 million, representing approximately 3.32% and approximately 4.08% of the total liabilities and current liabilities of the Group as at 31 December 2020, respectively, on the assumption that all 39,000,000 Guangan Shares would have been disposed of at RMB3.35 per Guangan Share.

For the avoidance of doubt, the actual gain or loss as a result of the Possible Disposal(s) to be recorded by the Group and its effect on earnings, assets and liabilities of the Group will be subject to the actual selling prices of the Guangan Shares and will be subject to final audit to be performed by the Company's auditor.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, when aggregated with disposals and acquisition of Guangan Shares made by Yujiage Co. within 12 months immediately preceding the Disposal, exceeds 25% but are less than 75%, such transactions in aggregate constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Assuming that 39,000,000 Guangan Shares currently held by the Group will have been disposed of within the Mandate Period at the Minimum Selling Price, one or more applicable percentage ratios of the Possible Disposal(s) when aggregated with the transactions conducted in the previous 12-month period from the relevant Possible Disposal will exceed 25% but less than 75%, the Possible Disposal(s) will constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will seek from the Shareholders at the EGM for ratification of the Disposal and approval of the Disposal Mandate and the Possible Disposal(s).

The Company will despatch the circular containing, among others, (i) further details of the Disposal, Disposal Mandate and the Possible Disposal(s), and (ii) the notice of EGM on or before 4 October 2021 as additional time is required for preparation of relevant information to be included in the circular.

There is no assurance that the Company will proceed with the Possible Disposal(s) after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Possible Disposal(s) or not will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Possible Disposal(s). The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless otherwise defined, terms used shall have the following meanings:

“Board”	the board of Directors
“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
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of an aggregate of 5,621,476 Guangan Shares by Yujiage Co.
“Disposal Mandate”	the general and conditional mandate to be granted by the Shareholders to the Directors at the EGM to dispose of up to 39,000,000 Guangan Shares during the Mandate Period
“Disposal Shares”	an aggregate of 5,621,476 Guangan Shares disposed by Yujiage Co.

“EGM”	the extraordinary general meeting of the Company to be held and convened to consider, among others, the Disposal, the Disposal Mandate and the Possible Disposal(s) contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangan AAA”	Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司), a joint stock company with limited liability established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (SHA: 600979)
“Guangan Shares”	ordinary shares of RMB1.00 each in the issued share capital of Guangan AAA
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and not a connected person of the Company
“Last Trading Day”	10 September 2021, being the last full trading day of the Guangan Shares on the Shanghai Stock Exchange prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	the 12-month period from the date of passing of the relevant resolution(s) approving the Disposal Mandate and the Possible Disposal(s) at the EGM
“Minimum Selling Price”	RMB2.68 per Guangan Share
“Possible Disposal(s)”	the proposed disposal(s) of up to 39,000,000 Guangan Shares by the Group under the Disposal Mandate
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yujiage Co.”	Sichuan Yujiage Hotel Management Limited* (四川裕嘉閣酒店管理有限公司), a company established in the PRC with limited liability, an indirectly wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
China First Capital Group Limited
Wilson Sea
Chairman and Executive Director

Hong Kong, 10 September 2021

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, 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.

* *For identification purpose only*