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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)

DISCLOSEABLE TRANSACTION – ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

On 4 July 2022 (after trading hours), the Company entered into the Settlement Agreements with the Creditors respectively, 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 164,750,000 Consideration Shares at the Subscription Price of HK\$0.310 per Consideration Share. The subscription amount payable by the Creditors under the Settlement Agreements shall be satisfied by capitalising the Indebted Amount due from the Company.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion date of the Subscriptions, the 164,750,000 Consideration Shares represent approximately 11.35% of the existing issued share capital of the Company as at the date of this announcement and approximately 10.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the debt capitalisation are more than 5% but less than 25%, the Subscriptions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Subscriptions are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

On 4 July 2022 (after trading hours), the Company entered into the Settlement Agreements with the Creditors respectively, 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 164,750,000 Consideration Shares at the Subscription Price of HK\$0.310 per Consideration Share. The subscription amount payable by the Creditors under the Settlement Agreements shall be satisfied by capitalising the Indebted Amount due from the Company.

The principal terms of the Settlement Agreements are identical except for the amount of debts owed by the Company and the number of Consideration Shares to be allotted and issued by the Company to each of the Creditors as more particularly set out in the paragraph headed “The Consideration Shares” below.

Information on the Creditors

The Creditor A, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2022, is a Hong Kong resident.

The Creditor B, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2024, is a PRC resident.

The Creditor C, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2021, is a PRC resident.

The Creditor D, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$8,000,000 due in 2021, is a PRC resident.

The Creditor E, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2021, is a PRC resident.

The Creditor F, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$2,000,000 due in 2020, is a PRC resident.

The Creditor G, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2026, is a PRC resident.

The Creditor H, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2026, is a PRC resident.

The Creditor I, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2026, is a PRC resident.

The Creditor J, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2026, is a PRC resident.

The Creditor K, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2026, is a PRC resident.

The Creditor L, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2024, is a PRC resident.

The Creditor M, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2025, is a PRC resident.

The Creditor N, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$10,000,000 due in 2025, is a PRC resident.

The Creditor O, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$5,000,000 due in 2023, is a Hong Kong resident.

The principal amount of the relevant bonds was used for general working capital, repayment of the debts and development and expansion of the Group's existing business. Save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditors are Independent Third Parties and there is no relationship, business arrangement or understanding between the Group and the Creditors, other than the relevant bonds, and the Creditors are independent of each other.

The Consideration Shares

Details of the number of Shares to be subscribed by each of the Creditors, the underlying debts and the Indebted Amount are as follows:

Creditors	Principal amount (HK\$)	Interest rate per annum	Outstanding amount as at the date of the Settlement Agreements (HK\$)	Indebted Amount to be capitalised under the Settlement Agreements (HK\$)	Number of Consideration Shares	% of the existing issued share capital of the Company (Approximately)	% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (Approximately)
Creditor A	10,000,000	6.0%	11,198,356	11,198,356	36,120,000	2.49%	2.23%
Creditor B	10,000,000	6.0%	11,198,356	10,000,000	32,250,000	2.22%	1.99%
Creditor C	10,000,000	6.0%	11,198,356	9,000,000	29,030,000	2.00%	1.79%
Creditor D	8,000,000	6.0%	8,160,438	5,000,000	16,120,000	1.11%	1.00%
Creditor E	10,000,000	6.0%	11,198,356	4,000,000	12,900,000	0.89%	0.80%
Creditor F	2,000,000	6.0%	2,312,986	2,312,986	7,460,000	0.51%	0.46%
Creditor G	10,000,000	6.5%	11,298,219	1,298,219	4,180,000	0.29%	0.26%
Creditor H	10,000,000	6.5%	11,298,219	1,298,219	4,180,000	0.29%	0.26%
Creditor I	10,000,000	6.5%	11,298,219	1,298,219	4,180,000	0.29%	0.26%
Creditor J	10,000,000	6.5%	11,298,219	1,298,219	4,180,000	0.29%	0.26%
Creditor K	10,000,000	6.5%	11,298,219	1,298,219	4,180,000	0.29%	0.26%
Creditor L	10,000,000	6.0%	11,198,356	1,198,356	3,860,000	0.27%	0.24%
Creditor M	10,000,000	6.5%	11,298,219	648,219	2,090,000	0.14%	0.13%
Creditor N	10,000,000	6.5%	11,298,219	648,219	2,090,000	0.14%	0.13%
Creditor O	5,000,000	6.0%	5,599,178	599,178	1,930,000	0.13%	0.12%
Total	135,000,000		151,151,918	51,096,411	164,750,000	11.35%	10.19%

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion date of the Subscriptions, the 164,750,000 Consideration Shares represent approximately 11.35% of the existing issued share capital of the Company as at the date of this announcement and approximately 10.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Conditions of the Subscriptions

The Subscriptions are conditional upon:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (ii) the Creditors having obtained all the relevant approvals for the transactions;
- (iii) the Company having obtained all the relevant approvals for the transactions; and
- (iv) the representations and warranties given by the parties are true and accurate in all material respects from the date of the Settlement Agreements to the completion date of the Subscriptions.

In the event that any of the above conditions is not fulfilled at or before 5:00 p.m. (Hong Kong time) within six months from the date of the Settlement Agreements (or such later date as the Company and the Creditors may severally agree in writing), the Settlement Agreements shall cease to be of any effect, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

The Settlement Agreements are not inter-conditional upon one another.

Completion

Completion of each of the Settlement Agreements will take place on the third Business Day after the conditions of the Subscriptions have been fulfilled (or such other date as the Company and the Creditors may severally agree in writing).

Lock-up Restriction

The Consideration Shares will not be subject to any lock-up or other disposal restrictions under the terms of the Settlements Agreements.

Subscription Price

The Subscription Price of HK\$0.310 per Subscription Share represents:

- (i) a discount of approximately 8.82% to the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the date of the Settlement Agreements; and
- (ii) a premium of approximately 4.73% to the average closing price of HK\$0.296 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Settlement Agreements.

The subscription amount payable by the Creditors under the Settlement Agreements shall be satisfied by capitalising the Indebted Amount due from the Company. The Consideration Shares have an aggregate nominal value of HK\$16,475,000.

The Subscription Price was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and each of the Creditors. The Directors consider that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Ranking of the Consideration Shares

The Consideration Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the issued Shares as at the date of allotment and issue of the Consideration Shares.

Application for Listing

Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

Information of the Group and Reasons for the Subscriptions

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

The Directors consider that the Subscriptions will allow the Company to settle the Indebted Amount without utilising existing financial resources of the Group in order to reduce interest expenses, alleviate the repayment pressure of the Group and reduce cash outflow from the Group. Moreover, the Subscriptions will broaden the Company's shareholders base and reduce the gearing level of the Group. The Directors consider that the terms of the Settlement Agreements are fair and reasonable based on the current market conditions and are on normal commercial terms. Accordingly, the Directors consider the Subscriptions are in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

The Company has conducted the following fund raising activity during the 12 months immediately preceding the date of this announcement.

Date of Announcement	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
5 November 2021	Placing of 201,061,600 new ordinary Shares at the price of HK\$0.205 per Share	Approximately HK\$40.7 million	(i) approximately 80% for repayment of outstanding debts of the Group; and (ii) approximately 20% for general working capital of the Group	(i) approximately 80% (being HK\$32.6 million) had been applied for repayment of outstanding debts and interests of the Group; and (ii) approximately 20% (being HK\$8.1 million) had been applied for general working capital of the Group

ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE

The Consideration Shares will be allotted and issued under the General Mandate. The number of the Consideration Shares is 164,750,000.

The General Mandate was granted at the AGM. At the AGM, the total number of Shares in issue was 1,451,570,000. The General Mandate has not been utilised since it was granted at the AGM. Accordingly, the maximum number of new Shares which could be allotted and issued pursuant to the General Mandate is 290,314,000 (representing 20% of the issued share capital of the Company as at the date of the AGM). Accordingly, the issue of the Consideration Shares are not subject to any approval by the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE AFTER COMPLETION OF THE SUBSCRIPTIONS

The effect on the shareholding structure of the Company after completion of the Subscriptions is as follows:

	Immediately before completion of the Subscriptions		Immediately after completion of the Subscriptions	
	Shares	Approximate %	Shares	Approximate %
Chuang Yue ¹	133,340,000	9.18	133,340,000	8.25%
Wealth Max ²	109,535,800	7.55	109,535,800	6.78%
Creditor A	–	–	36,120,000	2.23%
Creditor B	–	–	32,250,000	1.99%
Creditor C	–	–	29,030,000	1.79%
Creditor D	–	–	16,120,000	1.00%
Creditor E	–	–	12,900,000	0.80%
Creditor F	–	–	7,460,000	0.46%
Creditor G	–	–	4,180,000	0.26%
Creditor H	–	–	4,180,000	0.26%
Creditor I	–	–	4,180,000	0.26%
Creditor J	–	–	4,180,000	0.26%
Creditor K	–	–	4,180,000	0.26%
Creditor L	–	–	3,860,000	0.24%
Creditor M	–	–	2,090,000	0.13%
Creditor N	–	–	2,090,000	0.13%
Creditor O	–	–	1,930,000	0.12%
Other public Shareholders (excluding the Creditors)	1,208,694,200	83.27	1,208,694,200	74.78%
Total	1,451,570,000	100.00	1,616,320,000	100.00

Notes:

1. Chuang Yue is owned as to 100% by Shenmane. D Co., Limited, which in turn is owned as to 100% by Golden Cloud Co., Limited, and which in turn is owned as to 100% by Mr. Liu Kun.
2. Wealth Max is owned as to 100% by Dr. Wilson Sea.

Listing Rules Implications

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the debt capitalisation are more than 5% but less than 25%, the Subscriptions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Subscriptions are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 23 June 2022
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (except a Saturday, Sunday or public holiday in Hong Kong or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks operating in Hong Kong are generally open for ordinary business (excluding internet banking business) in Hong Kong
“Chuang Yue”	Hongkong Chuang Yue Co., Limited, a company incorporated in Hong Kong with limited liability, is a Shareholder and is indirectly wholly-owned by Mr. Liu Kun
“Company”	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code of 1269
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration Shares”	an aggregate of 164,750,000 new Shares to be subscribed by the Creditors pursuant to the Settlement Agreements
“Creditor A”	Wen Honghai (溫洪海), an Independent Third Party
“Creditor B”	Zhou Xiaoying* (周小英), an Independent Third Party
“Creditor C”	Xie Jianxin* (謝建新), an Independent Third Party
“Creditor D”	Qi Ziping* (齊子平), an Independent Third Party
“Creditor E”	Zhang Zhizhong* (張志中), an Independent Third Party
“Creditor F”	Zhang Feng* (張鋒), an Independent Third Party
“Creditor G”	Chen Shaochuan* (陳少川), an Independent Third Party
“Creditor H”	Huang Jingchao* (黃靖超), an Independent Third Party

“Creditor I”	Chen Shuwei* (陳書偉), an Independent Third Party
“Creditor J”	Guo Mingxiang* (郭明翔), an Independent Third Party
“Creditor K”	Xu Jiangying* (徐江英), an Independent Third Party
“Creditor L”	Yin Mengting* (尹夢婷), an Independent Third Party
“Creditor M”	Zheng Lianjun* (鄭聯軍), an Independent Third Party
“Creditor N”	Zhang Guoping* (張國平), an Independent Third Party
“Creditor O”	Hu Yucheng (胡育成), an Independent Third Party
“Creditors”	collectively, the Creditor A, the Creditor B, the Creditor C, the Creditor D, the Creditor E, the Creditor F, the Creditor G, the Creditor H, the Creditor I, the Creditor J, the Creditor K, the Creditor L, the Creditor M, the Creditor N and the Creditor O
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors to allot, issue and otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company of 1,451,570,000 Shares as at the date of the AGM (that is, not exceeding 290,314,000 Shares)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebted Amount”	the amount owing by the Company to the Creditors in an aggregate amount of HK\$51,096,411 to be capitalised according to the Settlement Agreements
“Independent Third Party(ies)”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Settlement Agreements”	15 settlement agreements dated 4 July 2022 entered into by the Company and the Creditors respectively in relation to the Subscriptions
“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
“Subscription Price”	the subscription price of HK\$0.310 per Consideration Share under the Settlement Agreements
“Subscriptions”	the subscription for the Consideration Shares by the Creditors as contemplated under the respective Settlement Agreements
“Wealth Max”	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Dr. Wilson Sea, the chairman of the Company and executive Director
“%”	per cent

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

Hong Kong, 4 July 2022

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 purposes only*