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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 6 June 2023 (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 125,340,000 Consideration Shares at the Subscription Price of HK\$0.10 per Consideration Share. The subscription amount payable by the Creditors under the Settlement Agreements 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 125,340,000 Consideration Shares represent approximately 7.28% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.78% 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 6 June 2023 (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 125,340,000 Consideration Shares at the Subscription Price of HK\$0.10 per Consideration Share. The subscription amount payable by the Creditors under the Settlement Agreements 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\$8,600,000 due in 2024, is a limited liability company incorporated in the British Virgin Islands and principally engaged in investment holding, and is wholly and beneficially owned by Li Chaofan, a PRC resident.

The Creditor B, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$5,000,000 due in 2022, 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 2025, is a PRC resident.

The Creditor D, 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 E, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$4,400,000 due in 2020, 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 2021, 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 2025, is a PRC resident.

The Creditor H, as an ultimate beneficial owner of the bonds of the Company in the principal amount of HK\$5,000,000 due in 2025, 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\$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 and the ultimate beneficial owner of the Creditor A 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 (Approximate)	% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (Approximate)
Creditor A	8,600,000	8.0%	9,182,474	3,101,000	31,010,000	1.80	1.68
Creditor B	5,000,000	6.0%	5,750,411	3,000,411	30,000,000	1.74	1.62
Creditor C	10,000,000	6.5%	11,625,890	1,298,219	12,980,000	0.75	0.70
Creditor D	10,000,000	6.5%	11,625,890	1,298,219	12,980,000	0.75	0.70
Creditor E	4,400,000	6.0%	5,222,378	1,222,378	12,220,000	0.71	0.66
Creditor F	2,000,000	6.0%	3,291,726	1,000,000	10,000,000	0.58	0.54
Creditor G	10,000,000	6.5%	10,977,671	650,000	6,500,000	0.38	0.35
Creditor H	5,000,000	6.5%	5,812,945	487,945	4,870,000	0.29	0.27
Creditor I	10,000,000	6.5%	10,327,671	327,671	3,270,000	0.19	0.18
Creditor J	5,000,000	6.0%	5,151,233	151,233	1,510,000	0.09	0.08
Total	70,000,000		78,968,289	12,537,076	125,340,000	7.28	6.78

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 125,340,000 Consideration Shares represent approximately 7.28% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.78% 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\$0.10 per Subscription Share represents:

- (i) a premium of approximately 92.3% to the closing price of HK\$0.052 per Share as quoted on the Stock Exchange on the date of the Settlement Agreements; and
- (ii) a premium of approximately 96.1% to the average closing price of HK\$0.051 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\$12,534,000.

The Subscription Price was determined with reference to the prevailing market prices of the Shares, the nominal value 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 not conducted any fund raising activities during the 12 months immediately preceding the date of this announcement.

ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE

The Consideration Shares will be allotted and issued under the General Mandate. The General Mandate was granted at the AGM. Under the General Mandate, the Directors are allowed to allot and issue up to 290,314,000 new Shares (representing 20% of the issued share capital of the Company as at the date of the AGM). Up to the date of this announcement, 164,750,000 new Shares have been allotted and issued pursuant to the General Mandate, leaving a balance of 125,564,000 new Shares that are allowed to be allotted and issued under the General Mandate. 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:

Shareholders	Immediately before completion of the Subscriptions		Immediately after completion of the Subscriptions	
	Shares	Approximate %	Shares	Approximate %
Wealth Max ¹	163,765,800	9.51	163,765,800	8.86
Chuang Yue ²	133,340,000	7.74	133,340,000	7.22
Creditor A	–	–	31,010,000	1.68
Creditor B	–	–	30,000,000	1.62
Creditor C	–	–	12,980,000	0.70
Creditor D	–	–	12,980,000	0.70
Creditor E	–	–	12,220,000	0.66
Creditor F	–	–	10,000,000	0.54
Creditor G	2,090,000	0.12	8,590,000	0.47
Creditor H	–	–	4,870,000	0.27
Creditor I	4,180,000	0.24	7,450,000	0.40
Creditor J	–	–	1,510,000	0.08
Other public Shareholders (excluding the Creditors)	<u>1,419,284,200</u>	<u>82.39</u>	<u>1,419,284,200</u>	<u>76.80</u>
Total	<u>1,722,660,000</u>	<u>100.00</u>	<u>1,848,000,000</u>	<u>100.00</u>

Notes:

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

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 125,340,000 new Shares to be subscribed by the Creditors pursuant to the Settlement Agreements
“Creditor A”	Rui Xin Developments Limited, a limited liability company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Li Chaofan* (李超凡), an Independent Third Party
“Creditor B”	Zhu Yan* (朱岩), an Independent Third Party
“Creditor C”	Sun Tong* (孫彤), an Independent Third Party

“Creditor D”	Qiu Wei* (邱蔚), an Independent Third Party
“Creditor E”	Lin Dandan* (林丹丹), an Independent Third Party
“Creditor F”	Zhang Zhizhong* (張志中), an Independent Third Party
“Creditor G”	Zheng Lianjun* (鄭聯軍), an Independent Third Party
“Creditor H”	Hong Zhihui* (洪智輝), an Independent Third Party
“Creditor I”	Chen Shaochuan* (陳少川), an Independent Third Party
“Creditor J”	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 and the Creditor J
“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\$12,537,076 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”	10 settlement agreements dated 6 June 2023 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\$0.10 per Consideration Share under the Settlement Agreements
“Subscriptions”	the subscriptions 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 an executive Director
“%”	per cent

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

Hong Kong, 6 June 2023

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*