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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)

INSIDE INFORMATION REGULATORY UPDATE AND PROFIT WARNING

This announcement is made by China First Capital Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong).

REGULATORY UPDATE

The State Council of the PRC promulgated the Implementation Regulations of the Private Education Promotion Law of the People’s Republic of China (《中華人民共和國民辦教育促進法實施條例》) (the “**Implementation Regulations**”) on 14 May 2021, which became effective on 1 September 2021. The Implementation Regulations prohibited controlling private schools that implement compulsory education (i.e. primary and middle school education) and non-profit private schools that implement pre-school education (i.e. kindergarten education) by any social organisations and individuals through mergers and acquisitions, agreement control and other ways, and prohibited private schools that implement compulsory education from entering into transactions with stakeholders.

As disclosed in the Company’s annual report for the year ended 31 December 2020, in light of the foreign investment restrictions in primary and middle school and pre-school and high school education businesses in the PRC, the Group entered into contractual arrangements (the “**Contractual Arrangements**”) for the control and operations of (i) Xishan Schools (comprising Fuqing Xishan School* (福清西山學校), Jiangxi Xishan School* (江西省西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Xishan Education Group* (西山教育集團), Jinxian Xishan Youth Football Club* (進賢縣西山青少年足球俱樂部), Fuqing Guowen Education Management Company Limited* (福清市國文教育管理有限公司), Jinxian Xishan Education Management Company Limited* (進賢縣西山教育管理有限公司) and Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司)) and (ii) Yinghua School (comprising Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校) and Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司)) (collectively, the “**Affected Entities**”).

* For identification purpose only

The Company's PRC legal advisor (the "**PRC Legal Advisers**"), Han Kun Law Offices, made consultations with the relevant government authorities in the PRC, and the consulted officials confirmed that, from 1 September 2021, the Contractual Arrangements related to compulsory education and non-profit pre-school education constituted "controlling private schools that implement compulsory education and non-profit private schools that implement pre-school education through agreement control" as stipulated in the Implementation Regulations, which violated the relevant provisions of the Implementation Regulations and shall not be legally enforceable. The PRC Legal Advisers are of the view that the consulted authorities are the competent authorities to give the above confirmation.

Xishan Schools are principally engaged in the provision of preschool, primary, middle, high school and vocational education services. The high school education service is provided in conjunction with the compulsory education in one entity while the vocational education service is provided in conjunction with the compulsory education school as an integral part using the same campus, facilities and teaching resources. The segregation of the vocational education service from other operations is not feasible in light of its existing conditions. Yinghua School is principally engaged in the provision of primary, middle and high school education services. The high school education service is provided in conjunction with the compulsory education in one entity.

The compulsory education schools and non-profit preschools of Xishan Schools and Yinghua School are subject to the Implementation Regulations and, thus, the Contractual Arrangements are considered not enforceable with effect from 1 September 2021. There are significant uncertainties and restrictions on the Group's control over the Affected Entities (including the school sponsors, the related holding company and the related entities operating in conjunction with the compulsory education schools). Based on the foregoing, the board (the "**Board**") of directors (the "**Directors**", each a "**Director**") is of the view that (i) the Group lost control over the Affected Entities on 31 August 2021, (ii) the Affected Entities were deconsolidated from the consolidated financial statements of the Company starting from 1 September 2021, and (iii) all the assets and liabilities of the Affected Entities as of 31 August 2021 and the income and profits derived from the Affected Entities after 1 September 2021 would not belong to the Group.

Based on the management accounts of the Group, which have not been confirmed nor audited by the Company's auditors and are subject to adjustments and finalisation, (i) the total assets of the Affected Entities as at 30 June 2021 amounted to approximately RMB1,158.7 million, representing approximately 25.5% of the Group's total asset as at 30 June 2021, (ii) the revenue generated from the business of the Affected Entities amounted to approximately RMB225.1 million for the six months ended 30 June 2021, representing approximately 31.7% of the Group's revenue for the six months ended 30 June 2021, and (iii) the net profit from the business of the Affected Entities amounted to approximately RMB34.4 million for the six months ended 30 June 2021.

The Implementation Regulations have an impact on the financial position of the Group. However, the operation of the remaining businesses of the Group (being automotive parts business, financial services business and education management and consultation business) maintains usual business operation and are not affected by the Implementation Regulations.

PROFIT WARNING

The Board wishes to inform the shareholders and potential investors of the Company that based on the information currently available to the Board, the Group is expected to record an increase in loss attributable to owners of the Company for the year ended 31 December 2021 by approximately 70% to 130% as compared to the loss attributable to owners of the Company for the corresponding period in 2020. Such loss is primarily attributable to the deconsolidation of the Affected Entities.

The information contained in this announcement is based only on the preliminary assessment by the Board with reference to the information currently available, including the latest unaudited consolidated management accounts of the Group, and is not based on any information or figures which have been audited, confirmed or reviewed by the auditors or the audit committee of the Company. As at the date of this announcement, the unaudited consolidated results of the Group for the year ended 31 December 2021 have not yet been finalised and are subject to adjustments.

The annual results announcement of the Group for the year ended 31 December 2021 is expected to be published by the end of March 2022.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 23 February 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.