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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 – FORMATION OF LIMITED PARTNERSHIP

On 9 December 2016 (after the trading hours), the Partners entered into the Partnership Agreement in relation to the formation of the Limited Partnership which will engage in the investments in education projects, the management of entrusted assets, the management of investments and the provision of investment consultancy services.

As certain applicable percentage ratios for the formation of the Limited Partnership by the Group exceed 5% but are less than 25%, the formation of the Limited Partnership constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

PARTNERSHIP AGREEMENT

On 9 December 2016 (after the trading hours), the Partners entered into the Partnership Agreement in relation to the formation of the Limited Partnership, the principal terms and conditions of which are as follows:

Date:

9 December 2016 (after the trading hours)

Parties:

1. Partner A, as general partner;
2. Partner B, as limited partner; and
3. Partner C, as limited partner.

Partner A is an indirectly wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Partner B and Partner C and their respective ultimate beneficial owners is an Independent Third Party.

Capital contribution

Pursuant to the Partnership Agreement, the total capital contribution of the Partners in the Limited Partnership in cash are as follows:

Partners	Total capital contribution (RMB 'million)	Interest in the Limited Partnership
Partner A	400	20%
Partner B	800	40%
Partner C	800	40%
Total	<u>2,000</u>	<u>100%</u>

Partner B and Partner C shall make capital contributions by instalments within 20 working days upon receipt of the payment notice from Partner A. And, all of the capital contribution of the Partners shall be made in cash before 31 December 2021.

The amount of capital contribution to be made by each of the Partners is arrived at after arm's length negotiations between the parties, with reference to, among others, the projected capital requirements of the Limited Partnership. The Group intends to finance its capital contribution by using its internal resources and/or by way of debt and/or equity financing.

It is intended by the Partners that, when additional financial resources are required to fund the business operation of the Limited Partnership, new partner will be admitted to the Limited Partnership so as to increase the total capital contribution of the Limited Partnership. In such circumstances, the Group will amend the Partnership Agreement or enter into a new partnership agreement and the Company will make further announcement as and when appropriate in compliance with the Listing Rules.

Business scope of the Limited Partnership

The Limited Partnership will engage in the investments in education projects, the management of entrusted assets, the management of investments and the provision of investment consultancy services.

Term of the Limited Partnership

The Limited Partnership will continue to operate unless it is terminated pursuant to the Partnership Agreement.

Profit distribution

The profit of the Limited Partnership shall be distributed after the Limited Partnership has reached a break-even point. The profits of the Limited Partnership shall be distributed to the Partners in proportion to their respective capital contribution in the Limited Partnership after 30% of the profits are distributed to Partner A.

Loss sharing

The loss of the Limited Partnership shall be borne by the Partners in proportion to their respective capital contribution in the Limited Partnership. Partner B and Partner C shall not assume losses exceeding their respective capital contribution. When the loss exceeds the amount of contribution of Partner B and Partner C, such loss shall be borne by Partner A. The liability of Partner A is unlimited.

Management of the Limited Partnership

Partner A (as general partner and executive managing partner) is responsible for the operation and management of the Limited Partnership.

The following matters, inter alia, shall be determined by the unanimous approval of the Partners:

- (a) amendment or alteration of terms of the Partnership Agreement;
- (b) change of the name of the Limited Partnership;
- (c) change of the principal business place of the Limited Partnership or increase in the number of business place of the Limited Partnership;
- (d) appointment and removal of auditor of the Limited Partnership;
- (e) transfer or disposal of the Limited Partnership's intellectual property and other asset rights;
- (f) decisions relating to profit distribution and loss sharing;
- (g) increase or decrease of capital contribution to the Limited Partnership;
- (h) removal or change of executive managing partner; and
- (i) change of partners of the Limited Partnership.

Pursuant to the Partnership Agreement, an investment decision making committee (the “**Committee**”) as the decision making body of the Limited Partnership, comprising 5 members, shall be formed. The Committee will be responsible for reviewing and approving the Limited Partnership’s decisions to make and/or withdraw its investments. Partner A shall be entitled to appoint 3 members to the Committee and Partner B and Partner C shall, together, appoint 2 members to the Committee. The Committee shall be chaired by a member who is appointed by Partner A.

Information on Partner B and Partner C

Partner B and Partner C are companies established in the PRC with limited liability. Both of Partner B and Partner C are engaged in, among others, research and development of computer software, property development and property agency, sales of electronic products, mineral products and construction materials, design and production of advertisement, provision of education consultancy services and sales and marketing planning.

Information on the Group and Partner A

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automobile component business. Since the end of 2014, the Group has started moving into certain new businesses, including asset management services, financial credit services, securities brokerage services and migration financial services. In 2016, the Group continues to diversify its business by stepping up its efforts in the aforesaid businesses and developing its education investment business.

Partner A is an indirectly wholly-owned subsidiary of the Company and a company established in the PRC with limited liability. Partner A is principally engaged in the management of equity investment enterprises, the management of investments and the provision of consultancy services.

Reasons for and benefit of forming the Limited Partnership

The management of the Group considers that the private education sector in the PRC is rapidly-growing currently and there is an increasing market demand for private education in the PRC brought by the “Two-child Policy” and it is now the optimal time for the Group to take this advantage to expand its business and seize business opportunities. Therefore, the Group has diversified its business and is developing its business and expanding its investments in different levels of education in the PRC as well as other countries.

Having considered the business prospects in the PRC education sector, the Company considers that the formation of the Limited Partnership represents an opportunity for the Group to capture future potential capital gain and enhance the returns to the Shareholders. The Directors (including the independent non-executive Directors) are of the view that the formation of the Limited Partnership and the terms of the Partnership Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Implication under the Listing Rules

As certain applicable percentage ratios for the formation of the Limited Partnership by the Group exceed 5% but are less than 25%, the formation of the Limited Partnership constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China First Capital Group Limited, a company incorporated in the Cayman Island with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) who is/are independent of and not connected with the connected persons of the Company and not a connected person of the Company
“Limited Partnership”	a limited partnership to be established in the PRC pursuant to the Partnership Agreement under the proposed name of Zhuhai First Capital Education Investment Fund L.P.* (珠海首控教育產業投資基金(有限合夥))
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partner A”	First Capital Funds Management Company Limited* (首控基金管理有限公司), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Partner B”	Sichuan Hongfengji Enterprise Limited* (四川宏豐吉實業有限公司), a limited liability company established in the PRC and an Independent Third Party

“Partner C”	Sichuan Haoshengtai Enterprise Limited* (四川浩盛泰實業有限公司), a limited liability company established in the PRC and an Independent Third Party
“Partners”	collectively, Partner A, Partner B and Partner C
“Partnership Agreement”	the agreement entered into on 9 December 2016 (after trading hours) between the Partners in relation to the formation of the Limited Partnership
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share of HK\$0.10 each of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 9 December 2016

As at the date of this announcement, the Company’s executive Directors are Mr. Wilson Sea, Mr. Zhao Zhijun, Mr. Tang Mingyang, Mr. Yan Haiting and Ms. Li Dan; the Company’s non-executive Director is Mr. Li Hua; and the Company’s independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang.

* For identification purpose only