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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 – PURCHASE OF SHARES IN VIRSCEND EDUCATION COMPANY LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

On 31 May 2017 (after trading hours), the Company entered into the S&P Agreements, pursuant to which the Company has agreed to purchase and the Vendors have agreed to sell in aggregate 180,438,000 Virscend Edu Shares, representing approximately 5.84% of the total issued Virscend Edu Shares as at the date of the S&P Agreements, at a total consideration of HK\$918,375,000.

Consideration payable by the Company under the S&P Agreements shall be satisfied by the allotment and issue of in aggregate 296,250,000 Consideration Shares at the Issue Price of HK\$3.10 per Consideration Share to the Vendors upon Completion. The Consideration Shares will be allotted and issued pursuant to the General Mandate. No further approval is required to be obtained from the Shareholders.

As certain applicable percentage ratios for the Acquisition, as aggregated pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 31 May 2017 (after trading hours), the Company entered into the S&P Agreements, pursuant to which the Company has agreed to purchase and the Vendors have agreed to sell in aggregate 180,438,000 Virscend Edu Shares, representing approximately 5.84% of the total issued Virscend Edu Shares as at the date of the S&P Agreements, at a total consideration of HK\$918,375,000.

## THE S&P AGREEMENTS

The principal terms of the S&P Agreements, which are, save as disclosed herein, identical are summarized below:

**Date:** 31 May 2017

**Parties:** The Company, being the purchaser

The First Vendor, being the vendor under the First S&P Agreement

The Second Vendor, being the vendor under the Second S&P Agreement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and its ultimate beneficial owners is an Independent Third Party.

### Subject matter

Pursuant to the S&P Agreements, the Company has agreed to purchase, and the Vendors have agreed to sell, the following:

	No. of Virscend Edu Shares	Approximate % of the total issued Virscend Edu Shares as at the date of the S&P Agreements
First S&P Agreement	91,438,000	2.96%
Second S&P Agreement	89,000,000	2.88%
Total:	<u>180,438,000</u>	<u>5.84%</u>

### Consideration

Consideration payable by the Company under the S&P Agreements amounted to HK\$918,375,000, and shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price to the Vendors upon Completion as set out below:

	Consideration	Approximate price per Virscend Edu Share	Consideration Shares to be allotted and issued	Issue Price per Consideration Share
First S&P Agreement	HK\$465,000,000	HK\$5.09	150,000,000	HK\$3.10
Second S&P Agreement	HK\$453,375,000	HK\$5.09	146,250,000	HK\$3.10
Total:	<u>HK\$918,375,000</u>		<u>296,250,000</u>	

The consideration per Virscend Edu Share was determined after arm's length negotiations between the Company and each of the Vendors taking into account, among other things, (i) the closing price of HK\$5.31 per Virscend Edu Share as quoted on the Stock Exchange as at the date of the S&P Agreements; and (ii) the average closing price of approximately HK\$5.13 per Virscend Edu Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to the date of the S&P Agreements.

The consideration of approximately HK\$5.09 per Virscend Edu Share represents (i) a discount of approximately 4.14% to the closing price of HK\$5.31 per Virscend Edu Share as at the date of the S&P Agreements; and (ii) a discount of approximately 0.78% to the average closing price of approximately HK\$5.13 per Virscend Edu Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to the date of the S&P Agreements.

### **Conditions precedent**

Completion shall be subject to and conditional upon the satisfaction of all of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consideration Shares;
- (b) the First Vendor (in case of the Second S&P Agreement, the Second Vendor) has obtained the necessary consents and approvals for the sale and purchase of Virscend Edu Shares pursuant to the First S&P Agreement (the Second S&P Agreement, as the case may be); and
- (c) the Company has obtained the necessary consents and approvals for the sale and purchase of Virscend Edu Shares pursuant to the First S&P Agreement (the Second S&P Agreement, as the case may be).

All Conditions cannot be waived.

In the event that any of the Conditions shall not be fulfilled by 5:00 p.m. on the Long Stop Date, the relevant S&P Agreement shall be null and void and of no further effect and no party shall have any further liability to any other party under or in connection with such S&P Agreement without prejudice to the rights of any such party in respect of any antecedent breaches.

### **Completion**

Completion of the sale and purchase of Virscend Edu Shares under the S&P Agreements shall take place within three (3) Business Days immediately after fulfilment of the Conditions, or such other date as the parties may agree in writing.

## Consideration Shares

The Consideration Shares will be issued at the Issue Price (i.e., HK\$3.10), which was determined after arm's length negotiations between the Company and each of the Vendors with reference to the recent market prices of the Shares. Based on the closing price of HK\$2.89 per Share as quoted on the Stock Exchange on the Last Trading Day, the aggregate market value of in total 296,250,000 Consideration Shares is HK\$856,162,500.

As at the date of this announcement, the Company has 4,481,250,000 Shares in issue. The total 296,250,000 Consideration Shares represent:

- (a) approximately 6.61% of the total issued Shares on the Last Trading Day; and
- (b) approximately 6.20% of the total issued Shares as enlarged by the issue of 296,250,000 Consideration Shares.

The Issue Price represents:

- (a) a premium of approximately 7.27% over the closing price of HK\$2.89 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 9.15% over the average closing price of approximately HK\$2.84 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (c) a premium of approximately 11.91% over the average closing price of approximately HK\$2.77 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day.

Given that the Issue Price represents a premium with reference to the recent closing prices of the Shares, the Directors consider that the Issue Price is fair and reasonable and the allotment and issue of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. No further approval is required to be obtained from the Shareholders. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue.

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

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the issue of the Consideration Shares are set out below:

Shareholders	As at the date of this announcement		Immediately following the issue of the Consideration Shares	
	Shares	Approximate %	Shares	Approximate %
Hongkong Chuang Yue Co., Limited <sup>(Note 1)</sup>	804,360,000	17.95	804,360,000	16.84
Wealth Max Holdings Limited <sup>(Note 2)</sup>	510,520,000	11.39	510,520,000	10.68
New Front Developments Limited <sup>(Note 3)</sup>	461,372,000	10.30	461,372,000	9.66
Public Shareholders	2,704,998,000	60.36	2,704,998,000	56.62
The First Vendor	–	–	150,000,000	3.14
The Second Vendor	–	–	146,250,000	3.06
	<u>4,481,250,000</u>	<u>100.00</u>	<u>4,777,500,000</u>	<u>100.00</u>

Notes:

- Hongkong Chuang Yue Co., Limited is owned as to 100% by Shenmane.D Co., Limited, which in turn is wholly-owned by Golden Cloud Co., Limited, and which in turn is wholly-owned by Mr. Tang Mingyang, an executive Director.
- Wealth Max Holdings Limited is owned by Mr. Wilson Sea, the Chairman of the Board and an executive Director, as to 100%.
- New Front Developments Limited is owned by Ms. Wang Jingyan as to 100%.

## INFORMATION ON THE VENDORS AND VIRSCEND EDUCATION

### The First Vendor

Based on the information provided by the First Vendor, the First Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability.

### The Second Vendor

Based on the information provided by the Second Vendor, the Second Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability.

## Virscend Education

Virscend Education is a company incorporated in the Cayman Islands with limited liability and Virscend Edu Shares are listed on the main board of the Stock Exchange under stock code 1565. Pursuant to the annual report of Virscend Education for the year ended 31 December 2016, Virscend Education and its subsidiaries are principally engaged in providing private education services in the PRC.

Set out below is the audited consolidated financial information of Virscend Education as extracted from its audited consolidated financial statements for the years ended 31 December 2015 and 2016:

	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	2,546,571	588,451
Net profit before tax	322,024	125,150
Net profit after tax	302,161	125,150

## REASONS FOR AND BENEFITS OF THE ACQUISITION

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 moving into new businesses, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, credit financing and migration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the aforementioned businesses while developing its education investment business. It shifted its principal focus onto education investment and obtained support from its own diversified financial services units, in the hope of building a platform of operation, investment and financing in the education sector driven by “Education Investment plus Financial Services” thereby delivering long-term and stable cash flow and creating favorable investment returns for its Shareholders and partners.

Over the past decade, the global private education sector has experienced strong growth and continued to gain market share at the expense of the public education sector. Middle-class people with a higher level of education believe that their children can benefit from a good education in the long term, coupled with the introduction of the “Universal Two-child Policy”, the education spending in the PRC is expected to further increase. The “Thirteenth Five-Year” Plan for National Education Sector issued in January 2017 proposes to give priority to investment in education and to ensure that the state-financed spending on education accounts for not less than 4% of the GDP in general. Given the strong growth in education sector and the favorable governmental policies, the management of the Group believes that the private education market has huge demand but low market penetration.

As disclosed in the announcement of the Company dated 27 June 2016, the Company has acquired in aggregate 106,000,000 Virscend Edu Shares at a total consideration of HK\$402.8 million, representing HK\$3.80 per Virscend Edu Share. Subsequently, the Company has purchased on the Stock Exchange in aggregate 21,578,000 Virscend Edu Shares at the price range of HK\$4.64 to HK\$5.29. As at the date of this announcement, the Company holds in total 127,578,000 Virscend Edu Shares, representing approximately 4.13% of the total issued Virscend Edu Shares. Immediately following completion of the Acquisition, the Company will hold in total 308,016,000 Virscend Edu Shares, representing approximately 9.97% of total issued Virscend Edu Shares.

In light of the promising business prospect of the PRC education sector, the recent financial performance of Virscend Education and the recent share prices of Virscend Edu Shares, the Board believes that the Acquisition provides an opportunity for the Company to increase its investments in Virscend Education.

Based on the foregoing, the Directors are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As certain applicable percentage ratios for the Acquisition, as aggregated pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements 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:

<b>“Acquisition”</b>	the acquisition of in aggregate 180,438,000 Virscend Edu Shares by the Company from the Vendors pursuant to the S&P Agreements
<b>“associate(s)”</b>	has the meaning as ascribed thereto under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
<b>“Completion”</b>	the completion of the Acquisition in accordance with the First S&P Agreement and/or the Second S&P Agreement
<b>“Conditions”</b>	conditions precedent set out in the S&P Agreements as more particularly described in the section headed “The S&P Agreements – Conditions precedent” of this announcement

<b>“connected person(s)”</b>	has the meaning as ascribed thereto under the Listing Rules
<b>“Consideration”</b>	total consideration of HK\$918,375,000 payable by the Company under the S&P Agreements
<b>“Consideration Share(s)”</b>	296,250,000 new Share(s) to be allotted and issued by the Company at the Issue Price to satisfy the Consideration
<b>“Director(s)”</b>	the director(s) of the Company
<b>“First S&amp;P Agreement”</b>	the sale and purchase agreement dated 31 May 2017 entered into between the Company and the First Vendor
<b>“First Vendor”</b>	Purple Fame Global Limited, which is more particularly described in the section headed “Information on the Vendors and Virscend Education – The First Vendor” of this announcement
<b>“General Mandate”</b>	the general mandate granted to the Directors by the resolution of the independent Shareholders passed at the extraordinary general meeting of the Company held on 6 December 2016 to allot, issue and deal with new Shares
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party”</b>	a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
<b>“Issue Price”</b>	the issue price of HK\$3.10 per Consideration Share
<b>“Last Trading Day”</b>	31 May 2017, being the last trading day of the Shares on the Stock Exchange prior to the publication of this announcement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Long Stop Date”</b>	the date which is six months from the date of the S&P Agreements, or such other date the Company and the First Vendor (in case of the First S&P Agreement) or the Second Vendor (in case of the Second S&P Agreement) may agree in writing



“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
“S&P Agreements”	collectively the First S&P Agreement and the Second S&P Agreement, and each a “S&P Agreement”
“Second S&P Agreement”	the sale and purchase agreement dated 31 May 2017 entered into between the Company and the Second Vendor
“Second Vendor”	Earn Wealth International Holdings Limited, which is more particularly described in the section headed “Information on the Vendors and Virscend Education – The Second Vendor” of this announcement
“Share(s)”	ordinary share(s) of HK\$0.02 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
“Vendors”	collectively the First Vendor and the Second Vendor
“Virscend Edu Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Virscend Education
“Virscend Education”	Virscend Education Company Limited, which is more particularly described in the section headed “Information on the Vendors and Virscend Education – Virscend Education” of this announcement
“%”	per cent

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

Hong Kong, 31 May 2017

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