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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF SHARES OF A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 15 in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 in this circular. A letter from the Independent Financial Adviser containing its advice in respect of the Subscription to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 36 in this circular. A notice convening the EGM to be held at Units 4501-02 & 12-13, 45/F., The Center, 99 Queen's Road Central, Hong Kong on Monday, 18 December 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 in this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 November 2017

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DEFINITIONS

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

“Aggregate Subscription Price”	HK\$92 million, being the aggregate of the Subscription Price payable by each of Xi Investment and Zhiyuan Investment
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday in Hong Kong) on which licensed banks in Hong Kong generally are open for business
“Chuang Yue”	Hongkong Chuang Yue Co., Limited, a company incorporated in Hong Kong with limited liability, is a substantial Shareholder and is indirect wholly-owned by Mr. Tang Mingyang, an executive Director
“Company”	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the Subscription Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guang Da”	Guang Da (China) Automotive Components Holdings Limited, a company incorporated in Hong Kong with limited liability on 14 June 2010 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Guang Da Group”	collectively, Guang Da, Nanyang Cijan and the subsidiaries of Nanyang Cijan

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all independent non-executive Directors which has been established to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) Mr. Sea and his associates; (ii) Mr. Zhao and his associates; and (iii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM
“Latest Practicable Date”	27 November 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sea”	Mr. Wilson Sea, the chairman of the Company, an executive Director and a substantial Shareholder holding approximately 10.69% of the total issued Shares as at the Latest Practicable Date
“Mr. Zhao”	Mr. Zhao Zhijun, a co-chief executive officer of the Company and an executive Director
“Nanyang Cijan”	Nanyang Cijan Auto Shock Absorber Company Limited* (南陽漸減汽車減振器有限公司), a company established in the PRC with limited liability on 23 June 2005 and an indirect non-wholly-owned subsidiary of the Company

DEFINITIONS

“Nanyang Zhiyuan”	Nanyang Zhiyuan Industrial Limited* (南陽智源實業有限公司), a company established in the PRC with limited liability on 25 May 2015 and wholly beneficially owned by Mr. Zhao and his spouse
“PRC”	the People’s Republic of China which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription (Xi) Shares by Xi Investment and the subscription of the Subscription (Zhiyuan) Shares by Zhiyuan Investment pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 31 October 2017 entered into between Guang Da (as issuer) and Xi Investment and Zhiyuan Investment (as subscribers) in relation to the Subscription
“Subscription Price”	HK\$46 million, being the consideration payable by each of Xi Investment and Zhiyuan Investment for the Subscription (Xi) Shares and the Subscription (Zhiyuan) Shares, respectively, in accordance with the Subscription Agreement
“Subscription Shares”	collectively, the Subscription (Xi) Shares and the Subscription (Zhiyuan) Shares
“Subscription (Xi) Shares”	130 shares of Guang Da, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares
“Subscription (Zhiyuan) Shares”	130 shares of Guang Da, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares

DEFINITIONS

“Wealth Max”	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial Shareholder and is wholly-owned by Mr. Sea, the chairman of the Board and an executive Director
“Xi Investment”	Xi’s Investment Limited, a company incorporated in Hong Kong with limited liability on 26 October 2017 and wholly-owned by Mr. Sea
“Zhiyuan Investment”	Hong Kong Zhiyuan Investment Limited, a company incorporated in Hong Kong with limited liability on 26 October 2017 and wholly-owned by Mr. Zhao
“%”	per cent

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.173. The above exchange rate is for the purpose of illustration only and does not constitute any representation that any amounts in RMB and HK\$ have been, could have been or may be converted at such rate or any other exchange rates.

** For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wilson Sea (*Chairman*)

Mr. Tang Mingyang

Mr. Zhao Zhijun (*Co-chief executive officer*)

Ms. Li Dan

Mr. Yan Haiting

Non-executive Director:

Mr. Li Hua

Independent non-executive Directors:

Mr. Chu Kin Wang, Peleus

Mr. Li Zhiqiang

Mr. Chen Gang

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

Principal place of business

in Hong Kong:

Units 4501-02 & 12-13, 45/F.

The Center, 99 Queen's Road Central

Hong Kong

30 November 2017

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
DEEMED DISPOSAL OF SHARES OF A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2017 in relation to, among others, the Subscription. The Board announced that on 31 October 2017 (after trading hours), Guang Da (as issuer) and Xi Investment and Zhiyuan Investment (as subscribers) entered into the Subscription Agreement, pursuant to which (i) Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for the Subscription (Xi) Shares at the Subscription Price of HK\$46 million in cash; and (ii) Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for the Subscription (Zhiyuan) Shares at the Subscription Price of HK\$46 million in cash.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information in respect of, among other things, (i) further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

THE SUBSCRIPTION AGREEMENT

Summarised below are the principal terms of the Subscription Agreement:

Date: 31 October 2017 (after trading hours)

Parties: (i) Guang Da (as issuer), an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

(ii) Xi Investment (as subscriber)

(iii) Zhiyuan Investment (as subscriber)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xi Investment is wholly-owned by Mr. Sea and Zhiyuan Investment is wholly-owned by Mr. Zhao. Thus, Xi Investment and Zhiyuan Investment are connected persons of the Company under Chapter 14A of the Listing Rules.

Subscription

Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for the Subscription (Xi) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash.

Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for the Subscription (Zhiyuan) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash.

Subscription Price

The Aggregate Subscription Price was arrived at after arm's length negotiations among the parties to the Subscription Agreement with reference to (i) the unaudited consolidated net asset value of the Guang Da Group attributable to the equity shareholders of approximately RMB231.45 million (equivalent to approximately HK\$271.49 million) as at 30 June 2017; (ii) the financial performance of the Guang Da Group in recent years; and (iii) other factors as set out in the section headed "Letter from the Board – Reasons for and benefits of the Subscription" in this circular.

LETTER FROM THE BOARD

In assessing the fairness of the Aggregate Subscription Price, the Company has considered, among others, the development trend of the automotive manufacturing industry in the PRC, the financial performance of Guang Da Group, the development trend of Guang Da Group, and the price-to-earnings ratio (“**P/E ratio**”) and the price-to-book ratio (“**P/B ratio**”) of the comparable companies to Guang Da Group on 31 October 2017. The Company has identified companies which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in automotive parts business (the “**Relevant Business**”); and (iii) recorded at least 50% revenue from the Relevant Business as disclosed in their respective latest published annual reports. On this basis, the following comparable companies have been taken into consideration by the Company:

Name	Stock code	Principal business	P/E ratio (Note 1) (times)	P/B ratio (Note 2) (times)
New Focus Auto Tech Holdings Limited	360	Manufacture and sale of electronic and power-related automotive parts and accessories, provision of automobile repair, maintenance and restyling services, retail distribution of merchandise goods and trading of automobile accessories	Not applicable (Note 3)	6.91
Wuling Motors Holdings Limited	305	Manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply services	7.02	0.80
Johnson Electric Holdings Limited	179	Manufacturing and sale of motion systems	14.89	1.78
Minth Group Limited	425	Design, development, manufacture, processing and sales of automobile body parts and moulds	23.80	3.66
Tianneng Power International Limited	819	Production of motive batteries	8.41	1.75

LETTER FROM THE BOARD

Name	Stock code	Principal business	P/E ratio (Note1) (times)	P/B ratio (Note2) (times)
Zhejiang Shibao Company Limited – H Shares	1057	Development, design, manufacture and sales of automotive steering gears and other key components and parts of steering system	9.72	0.42
Xinchen China Power Holdings Limited	1148	Development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC	6.76	0.43
Shuanghua Holdings Limited	1241	Design, development, manufacture and sale of parts of auto air-conditioners, sales of automotive lubricants and express auto repairs and maintenance services	Not applicable (Note 3)	0.69
Nexteer Automotive Group Limited	1316	Design and manufacture of steering and driveline systems and components for automobile manufacturers and other automotive-related companies	16.63	4.07
BeijingWest Industries International Limited	2339	Manufacture and sale of automotive parts and components and the trading of automotive parts and components	7.72	0.98
Fuyao Glass Industry Group Co., Ltd. – H Shares	3606	Manufacturing and sale of automobile glass	4.07	0.73

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Name	Stock code	Principal business	P/E ratio (Note 1) (times)	P/B ratio (Note 2) (times)
Xiezhong International Holdings Limited	3663	Design, production and sale of automotive heating, ventilation and cooling (“HVAC”) systems and a range of automotive HVAC components and rendering of services	22.52	1.23
Weichai Power Co., Ltd. – H Shares	2338	Manufacture and sale of diesel engines and related parts, automobiles and other major automobile components, auxiliary automobile components, import and export services and forklift trucks and warehouses technology services	6.58	0.49
Huazhong In-Vehicle Holdings Company Limited	6830	Manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tank of air conditioning or heater units and other non-automobile products	12.65	1.80
			Maximum	23.80
			Minimum	4.07
			Mean	11.73
			Median	9.07
The Subscription Shares (Note 4)			26.04	1.30

Notes:

- The P/E ratios of the comparable companies are calculated by dividing respective market capitalisations of the comparable companies on 31 October 2017 by respective profits attributable to owners of the comparable companies as extracted from their respective latest published annual reports.
- The P/B ratios of the comparable companies are calculated by dividing respective market capitalisations of the comparable companies on 31 October 2017 by respective net assets attributable to equity holders of the comparable companies as extracted from their respective latest published annual/interim reports.
- P/E ratio is not applicable as the computed figure is negative.

LETTER FROM THE BOARD

4. Based on the Aggregate Subscription Price of HK\$92 million for subscription of 26% equity interest of Guang Da.
5. Figures presented in RMB and USD are converted into HK\$ based on the illustrative exchange rates of RMB1.00 = HK\$1.173 and USD1.00 = HK\$7.80, respectively.

As demonstrated above, the P/E ratio of the Subscription Shares of approximately 26.04 times fall above the range of the comparable companies, and the P/B ratio of the Subscription Shares of approximately 1.30 times falls within the range and is above the median as represented by the comparable companies.

The Company considers that the Aggregate Subscription Price is fair and reasonable.

The Aggregate Subscription Price is to be satisfied by Xi Investment and Zhiyuan Investment in cash on Completion.

Conditions precedent

Completion is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (1) the Independent Shareholders have approved the Subscription Agreement and the transactions contemplated thereunder at a general meeting of the Company;
- (2) from the date of the Subscription Agreement to the date of Completion, the representations and warranties given by Guang Da under the Subscription Agreement are and remain true and accurate in all material respects; and
- (3) from the date of the Subscription Agreement to the date of Completion, the representations and warranties given by Xi Investment and Zhiyuan Investment under the Subscription Agreement are and remain true and accurate in all material respects.

Guang Da may in writing waive condition (3) above prior to the Completion and Xi Investment and Zhiyuan Investment may in writing waive condition (2) above prior to the Completion.

If any of the above conditions is not satisfied on or before 31 December 2017 (or such other date as may be agreed by Guang Da, Xi Investment and Zhiyuan Investment), the Subscription Agreement shall be terminated and, save for any antecedent breach, the rights and obligations of each of the parties to the Subscription Agreement shall cease and determine.

Completion

Completion shall take place within seven Business Days following the satisfaction and/or waiver (as the case may be) of the above conditions precedent, or on such other date as may be agreed by Guang Da, Xi Investment and Zhiyuan Investment.

Upon Completion, the equity interest in Guang Da will be held by the Group, Xi Investment and Zhiyuan Investment as to 74%, 13% and 13%, respectively.

LETTER FROM THE BOARD

INFORMATION ON XI INVESTMENT

Xi Investment is a company incorporated in Hong Kong with limited liability on 26 October 2017 for the purpose of entering into the Subscription Agreement. As at the Latest Practicable Date, Xi Investment is owned as to 100% by Mr. Sea.

INFORMATION ON ZHIYUAN INVESTMENT

Zhiyuan Investment is a company incorporated in Hong Kong with limited liability on 26 October 2017 for the purpose of entering into the Subscription Agreement. As at the Latest Practicable Date, Zhiyuan Investment is owned as to 100% by Mr. Zhao.

INFORMATION ON GUANG DA GROUP

Guang Da is a company incorporated in Hong Kong with limited liability on 14 June 2010 and an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the sole asset of Guang Da is its 70% equity interest in Nanyang Cijan.

Nanyang Cijan is a company established in the PRC with limited liability with a registered capital of HK\$320,000,000, and is principally engaged in the research and development, design, manufacturing and sale of various automobile shock absorbers. As at the Latest Practicable Date, Nanyang Cijan is owned as to 70% by Guang Da and as to 30% by Nanyang Zhiyuan.

Set out below are the unaudited consolidated financial information of Guang Da Group for the two years ended 31 December 2015 and 2016:

	For the year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximate)</i>	<i>(approximate)</i>
Net profit/(loss) before tax	47,741	(13,753)
Net profit/(loss) after tax	24,713	(17,143)
Net profit/(loss) attributable to the equity shareholders	11,585	(16,878)

As at 30 June 2017, the unaudited consolidated net assets of Guang Da Group attributable to the equity shareholders was approximately RMB231.45 million (equivalent to approximately HK\$271.49 million).

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Upon Completion, the Group will own a 74% equity interest in Guang Da. Guang Da Group will remain as subsidiaries of the Company and its financial information will remain in the consolidated accounts of the Company. The Group does not have any plan to further dispose of its equity interest in Guang Da as at the Latest Practicable Date. The Board has no intention to further dispose the equity interest in Guang Da to the extent that the automotive parts business of the Group will cease to be consolidated into the financial statements of the Group on or before the publication of the results of the Company for the year ending 31 December 2017.

LETTER FROM THE BOARD

Based on the information available to the Group, it is estimated that (i) the earnings attributable to owners of the Company will be reduced by 26% of the profit or loss of Guang Da Group upon Completion; and (ii) given the deemed disposal as a result of the Subscription will not change the Company's controlling interest in Guang Da Group, the Subscription will be treated as an equity transaction and any difference between the Aggregate Subscription Price and the non-controlling interest of Guang Da Group upon Completion will be recognised directly in equity and attributed to owners of the Company such that no gain or loss will be incurred by the Group as a result of the Subscription.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion. Shareholders should note that the actual financial impact from the deemed disposal as a result of the Subscription will be subject to final audit.

APPLICATION OF PROCEEDS FROM THE SUBSCRIPTION

It is expected that Guang Da would receive net proceeds from the Subscription of approximately HK\$91 million, after deducting the costs and expenses in relation to the Subscription of approximately HK\$1 million. In view of its working capital requirement, Guang Da intends to use the net proceeds in the amount of approximately HK\$91 million as to approximately HK\$78 million for repayment of debts, as to approximately HK\$5 million for overseas research and development and as to approximately HK\$8 million for its general working capital. As such, the Group can allocate more resources to facilitate the development of its education operation business and financial services business including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial services licenses, and expansion of the scope and scale of service of its existing financial services business.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in the automotive parts business. Since the end of 2014, the Group has started moving into the financial services business, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the financial services business while developing its education operation business. It shifted its principal focus onto education operations and utilised its own diversified financial services units, intending to build a platform of operation, investment and financing in the education sector guided by its "Education Operation plus Financial Services" strategy thereby delivering a long-term stable cash flow and generating favourable investment returns for its shareholders and partners.

Since late 2014, the Group has been paying close attention to the slowdown of the growth of the automotive manufacturing industry in the PRC. The more demanding technology requirements, rising costs and increasing competition have squeezed the profit margin of the automotive components manufacturing industry. Against this background, Nanyang Cijan entered into a subscription agreement dated 10 August 2015 with Nanyang Zhiyuan in relation to the subscription of a 30% equity interest in Nanyang Cijan by Nanyang Zhiyuan at the subscription price of

LETTER FROM THE BOARD

RMB110 million to dispose of a 30% equity interest in Nanyang Cijan in August 2015 with a view to, among other things, lowering the working capital required on the part of the Group for the automotive parts business. Please refer to the announcement and circular of the Company dated 10 August 2015 and 14 September 2015, respectively, for details of the subscription agreement. With reference to the statistics published by the China Association of Automobile Manufacturers (中國汽車工業協會), the year-on-year growth in automotive manufacturing units for the first three quarters in 2017 was recorded at 4.77%, reduced from the annual growth of 14.46% as recorded in 2016. The year-on-year growth in automotive sale units for the first three quarters in 2017 amounted to 4.46%, which represents a slow down against the sales growth of 13.65% as recorded in 2016. On the other hand, the expected rise in purchase tax on small cars from 5% to 7.5% through 2017 and 10% through 2018 is expected to reduce the auto sales in the PRC in the coming years. Based on the aforesaid, it appears that the overall automotive industry in the PRC has been slowing down and such trend is expected to continue.

The Group recorded revenue from its automotive parts business of approximately RMB1,379.24 million for the year ended 31 December 2016, representing an increase of approximately 27.47% as compared to the revenue of approximately RMB1,082.01 million as recorded in the previous year, while the revenue from automotive parts business recorded at approximately RMB796.53 million for the six months ended 30 June 2017, representing an increase of approximately 18.31% from the revenue of approximately RMB673.25 million as recorded in the previous corresponding period. Despite the continuous revenue growth of the Group's automotive parts business, the gross profit margin of such business has been low and unsatisfactory. For the year ended 31 December 2016, the gross profit margin of the Group's automotive parts business was approximately 22.97% and continue to decline and recorded at approximately 21.04% for the six months ended 30 June 2017, being the lowest gross profit margin among all business segments of the Group. Further, for the year ended 31 December 2016, the selling and distribution expenses and the research and development expenditure of the Group increased by approximately 17.8% and 18.6% respectively from the previous year and increased by approximately 25.6% and 38.2% respectively for the six months ended 30 June 2017 as compared to the previous corresponding period as a result of the increase in transportation costs and after-sale service expenses related to the automotive parts business as well as the increased efforts on the research of applying the shock absorber related technology to different brands and models of automobiles and additional development costs of shock absorbers for newly-developed automobiles. It is therefore noted that the increase in selling and distribution expenses and research and development expenditure arising from the Group's automotive parts business had each outweighed the revenue growth in such business segment for the six months ended 30 June 2017 as compared to the previous corresponding period. In order to strive for better performance and potentially improve the profit margin of the automotive parts business, the Group will have to further increase its effort and financial resources in the development of advanced technology for the enhancement of automobile shock absorbers given the rising costs and current fierce competition of the automobile market.

As disclosed in the above section headed "Information on Guang Da Group", the Guang Da Group recorded net profit attributable to the equity shareholders of approximately RMB11.59 million for the year ended 31 December 2016, demonstrating a turnaround from the net loss attributable to the equity shareholders of approximately RMB16.88 million for the previous year. Such financial turnaround of Guang Da Group was mainly due to (i) the increase in revenue by approximately 27.47% mainly as a result of the optimisation of production capacity of the production base in 2016; and (ii) the increase in capital as a result of capital injection into the

LETTER FROM THE BOARD

registered capital of Nanyang Cijan (details of which are disclosed in the announcement of the Company dated 12 November 2015). Nonetheless, despite the revenue growth of about 27.47% from 2015 to 2016, the gross profit margin of Guang Da improved only slightly from about 20.30% in 2015 to about 22.97% in 2016.

In view of (i) the constant low profit margin of the Group's automotive parts business as a result of rising costs and intense market competition; (ii) the need to maintain a considerable level of cash balance for operating the automotive parts business; (iii) the proceeds raised from the Subscription would provide cash flow to Guang Ga Group for its business development and strengthen its financial flexibility; (iv) the Group would remain as the controlling shareholder of Guang Da Group and its financial results would continue to be consolidated into the accounts of the Group while lowering the working capital required on the part of the Group; and (v) the alignment of interests among Mr. Sea and Mr. Zhao and the Group for the business enhancement of Guang Da, the Directors (excluding the independent non-executive Directors whose views are expressed in the "Letter from the Independent Board Committee" in this circular after taking into consideration the advice of the Independent Financial Adviser), consider that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Following the issue of the Subscription Shares, the equity interest of the Group in Guang Da will be reduced from 100% to 74%, and the Subscription therefore constitutes a deemed disposal of the Group's equity interest in Guang Da under Rule 14.29 of the Listing Rules.

Since the highest of the applicable percentage ratios for the Subscription as a deemed disposal exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

As Xi Investment is wholly-owned by Mr. Sea and Zhiyuan Investment is wholly-owned by Mr. Zhao, both being connected persons of the Company, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the notification, announcement and independent shareholders' approval requirements under the Listing Rules.

THE EGM

Set out on pages EGM-1 to EGM-2 in this circular is a notice convening the EGM to be held at Units 4501-02 & 12-13, 45/F., The Center, 99 Queen's Road Central, Hong Kong on Monday, 18 December 2017 at 10:00 a.m. at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder.

Mr. Sea and his associates, who are interested in aggregate 510,520,000 Shares, representing approximately 10.69% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the relevant resolution regarding the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Zhao and his associates did not have any

LETTER FROM THE BOARD

shareholding in the Company as at the Latest Practicable Date. Given that each of Mr. Sea and Mr. Zhao has a material interest in the Subscription Agreement, each of Mr. Sea and Mr. Zhao has abstained from voting on the relevant resolutions of the Board for approving the Subscription Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

The Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang, has been established to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendix to this circular. You should consider carefully all the information set out in this circular before making a decision about the Subscription Agreement and the transactions contemplated thereunder.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder.



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)

30 November 2017

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
DEEMED DISPOSAL OF SHARES OF A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company to the Shareholders dated 30 November 2017 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote taking into account the advice from the Independent Financial Adviser.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 15 of the Circular and the letter from the Independent Financial Adviser as set out on pages 18 to 36 of the Circular which contains its advice to us in respect of whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

Having taking into account the principal factors and reasons considered by the Independent Financial Adviser and its opinion as stated in its letter of advice, we consider that although the Subscription is not in the ordinary and usual course of business of the Group, the Subscription Agreement and the transactions contemplated thereunder are being carried out on normal

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

commercial terms and the terms of which are fair and reasonable and the transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of

China First Capital Group Limited

Mr. Chu Kin Wang, Peleus

Independent

non-executive Director

Mr. Li Zhiqiang

Independent

non-executive Director

Mr. Chen Gang

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

30 November 2017

To the Independent Board Committee and
the Independent Shareholders of
China First Capital Group Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF SHARES OF A SUBSIDIARY

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of China First Capital Group Limited (the “**Company**”) in relation to the subscription (the “**Subscription**”) of 130 new shares of Guang Da (China) Automotive Components Holdings Limited (“**Guang Da**”) by each of Xi’s Investment Limited (“**Xi Investment**”) and Hong Kong Zhiyuan Investment Limited (“**Zhiyuan Investment**”, and together with Xi Investment, the “**Subscribers**”). Details of the Subscription are disclosed in the announcement of the Company dated 31 October 2017 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 5 to 15 of the circular of the Company dated 30 November 2017 (the “**Circular**”) to its shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 31 October 2017 (after trading hours), Guang Da (an indirect wholly-owned subsidiary of the Company, as issuer) and Xi Investment and Zhiyuan Investment (as subscribers) entered into the Subscription Agreement, pursuant to which (i) Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for the Subscription (Xi) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash; and (ii) Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for the Subscription (Zhiyuan) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash. Upon Completion, the equity interest in Guang Da will be held by the Group, Xi Investment and Zhiyuan Investment as to 74%, 13% and 13%, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following the issue of the Subscription Shares, the equity interest of the Group in Guang Da will be reduced from 100% to 74%, and the Subscription therefore constitutes a deemed disposal of the Group's equity interest in Guang Da under Rule 14.29 of the Listing Rules. Since the highest of the applicable percentage ratios for the Subscription as a deemed disposal exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

As Xi Investment is wholly-owned by Mr. Sea and Zhiyuan Investment is wholly-owned by Mr. Zhao, both being connected persons of the Company, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the notification, announcement and independent shareholders' approval requirements under the Listing Rules.

The EGM will be convened to consider and, if thought fit, pass the ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder. Mr. Sea and his associates, who are interested in aggregate 510,520,000 Shares, representing approximately 10.69% of the total issued shares of the Company as at the Latest Practicable Date, will abstain from voting on the relevant resolution regarding the Subscription Agreement and the transactions contemplated thereunder at the EGM. Mr. Zhao and his associates did not have any shareholding in the Company as at the Latest Practicable Date. Given that each of Mr. Sea and Mr. Zhao has a material interest in the Subscription Agreement, each of Mr. Sea and Mr. Zhao has abstained from voting on the relevant resolutions of the Board for approving the Subscription Agreement and the transactions contemplated thereunder.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Chen Gang, has been established to advise the Independent Shareholders as to whether (i) the terms of the Subscription Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Subscription is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders as to voting in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Xi Investment, Zhiyuan Investment and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates that could reasonably be regarded as relevant to the independence of Astrum Capital Management Limited. In the last two years, except for another three independent financial adviser engagements (in relation to (i) the refreshment of general mandate granted to the Directors at the annual general meeting of the Company held on 9 June 2015, details of which were set out in the circular of the Company dated 20 November 2015; (ii) the refreshment of general mandate granted to the Directors at the extraordinary general meeting of the Company held on 8 December 2015, details of which were set out in the circular of the Company dated 18 March 2016; and (iii) the refreshment of general mandate granted to the Directors at the annual general meeting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Company held on 8 June 2016, details of which were set out in the circular of the Company dated 21 November 2016), there was no other engagement between the Group and Astrum Capital Management Limited. Accordingly, we do not consider the past and existing engagements give rise to any conflict for Astrum Capital Management Limited acting as the independent financial adviser in relation to the Subscription. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the Subscription Agreement, the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group (including the Guang Da Group). We have (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the Subscription, the businesses, financial position and future outlook of the Group (including the Guang Da Group). We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the Subscription and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group (including the Guang Da Group). Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustration purposes, conversion of RMB into HK\$ as stated in this letter was based on the approximate exchange rate of RMB1.000 to HK\$1.173.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Subscription, we have taken into consideration the following factors and reasons:

1. Information of the Group

A. Business of the Group

According to the 2017 Interim Report, the Group is principally engaged in (i) manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers and the secondary market of the automobile industry (the “**Automotive Parts Business**”); (ii) provision of financial services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services; and (iii) provision of schooling services, including services from kindergarten education to vocational education.

B. Financial information of the Group

The following table summarizes (i) the audited consolidated financial results of the Group for the two years ended 31 December 2015 and 31 December 2016 (“**FY2015**” and “**FY2016**”, respectively) as extracted from the 2016 Annual Report; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 June 2016 and 30 June 2017 (“**PE2016**” and “**PE2017**”, respectively) as extracted from the 2017 Interim Report:

Table 1: Financial information of the Group

	FY2015 (audited) <i>RMB'000</i>	FY2016 (audited) <i>RMB'000</i>	PE2016 (unaudited) <i>RMB'000</i>	PE2017 (unaudited) <i>RMB'000</i>
Revenue	1,087,737	1,474,059	677,367	991,221
– Sales of automobile shock absorbers	1,082,008	1,379,236	673,247	796,529
– Provision of financial and advisory services	5,729	58,270	4,120	47,697
– Provision of schooling services	–	36,553	–	146,995
Gross profit	225,336	383,068	140,501	280,861
(Loss)/profit before tax	(24,320)	275,716	71,327	22,435
(Loss)/profit for the year/period attributable to owners of the Company	(22,631)	178,664	58,765	4,750

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2015 (audited) RMB'000	As at 31 December 2016 (audited and restated) (Note) RMB'000	As at 30 June 2017 (unaudited) RMB'000
Total assets	1,877,571	7,414,676	8,716,179
Total (liabilities)	(1,123,535)	(4,291,030)	(4,839,171)
Equity attributable to owners of the Company	628,695	2,835,879	3,568,787

Sources: the 2016 Annual Report and the 2017 Interim Report

Note: The Group completed acquisition of 58.3% equity interest in 福清西山學校 (Fuqing Xishan School*), 福清西山職業技術學校 (Fuqing Xishan Vocational and Technical School*), 江西省西山學校 (Jiangxi Xishan School*) and 西山教育集團 (Xishan Education Group*) in 2016, and the measurement of the acquired assets and recognised liabilities were measured on provisional values in the consolidated financial statements of the Group for FY2016 due to the fact that the valuation was not completed. As mentioned in the 2017 Interim Report, those relevant balance sheets items were adjusted from the provisional amounts as disclosed in the 2016 Annual Report after the finalisation of valuations.

(a) *For the year ended 31 December 2016 (i.e. FY2016)*

In 2016, the Group continued to diversify its business by stepping up its efforts in the financial services business while developing its education operation business. It shifted its principal focus onto education operation 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 Operation plus Financial Services” thereby delivering long-term and stable cash flow and creating favorable investment returns for its shareholders and partners. In FY2016, the newly-started education operation business contributed revenue of approximately RMB36.6 million to the Group.

In FY2016, the Group recorded total revenue of approximately RMB1,474.1 million, representing an annual growth of approximately 35.5% as compared to approximately RMB1,087.7 million for FY2015. The Automotive Parts Business remained as the key revenue driver of the Group, contributing over 90% of the Group’s total revenue in FY2016. The increase in revenue was primarily attributable to the enhancement of market share of the Automotive Parts Business, the rapid growth of the financial services business and the addition of the education operation business in FY2016. Aligning with the growth of revenue, the Group’s gross profit increased from approximately RMB225.3 million in FY2015 to approximately RMB383.1 million in FY2016, representing a year-on-year growth of approximately 70.0%.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In FY2016, the Group turned from a loss-making position to a profit-making position, and recorded profit attributable to owners of the Company of approximately RMB178.7 million. Such improvement was mainly attributable to (i) gain from fair value change on held for trading investments of approximately RMB357.3 million in FY2016; and (ii) the increase in gross profit from approximately RMB225.3 million in FY2015 to approximately RMB383.1 million in FY2016, and was partially offset by the increase in administrative expenses of approximately RMB203.7 million.

As at 31 December 2016, the Group's total assets, total liabilities and equity attributable to owners of the Company amounted to approximately RMB7,414.7 million, approximately RMB4,291.0 million and approximately RMB2,835.9 million, respectively.

(b) For the six months ended 30 June 2017 (i.e. PE2017)

Revenue of the Group increased by approximately 46.3% from approximately RMB677.4 million in PE2016 to approximately RMB991.2 million in PE2017. As noted from the 2017 Interim Report, such improvement was primarily due to the sales growth of the Automotive Parts Business, the rapid growth of the financial services business and the addition of the education operation business. Notably, the group's gross profit almost doubled from approximately RMB140.5 million in PE2016 to approximately RMB280.9 million in PE2017.

Notwithstanding the surge in gross profit, the Group's profit attributable to owners of the Company dropped significantly from approximately RMB58.8 million in PE2016 to approximately RMB4.8 million in PE2017. Such deterioration was mainly attributable to (i) loss on fair value change on held for trading investments of approximately RMB20.8 million in PE2017, as compared to gain from fair value change on held for trading investments of approximately RMB91.0 million in PE2016; (ii) the increase in administrative expenses of approximately RMB113.4 million; and (iii) the increase in finance costs of approximately RMB31.4 million.

As at 30 June 2017, the Group's total assets, total liabilities and equity attributable to owners of the Company amounted to approximately RMB8,716.2 million, approximately RMB4,839.2 million and approximately RMB3,568.8 million, respectively.

2. Information on the Guang Da Group

A. Business and shareholding structure of the Guang Da Group

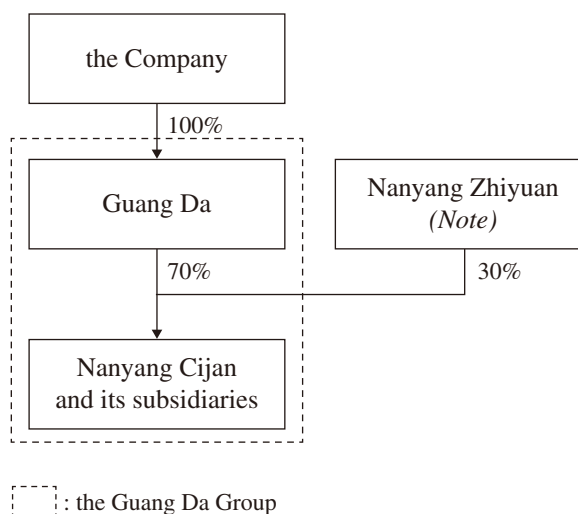
According to the Letter from the Board, Guang Da is a company incorporated in Hong Kong with limited liability on 14 June 2010 and an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the sole asset of Guang Da was its 70% equity interest in Nanyang Cijan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

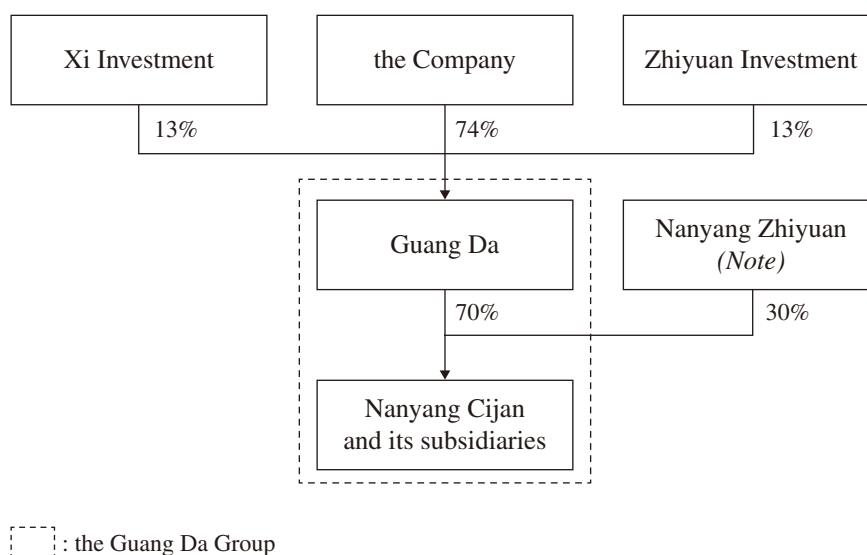
Nanyang Cijan is a company established in the PRC with limited liability with a registered capital of HK\$320,000,000, and is principally engaged in the research and development, design, manufacturing and sale of various automobile shock absorbers. As at the Latest Practicable Date, Nanyang Cijan was owned as to 70% by Guang Da and as to 30% by Nanyang Zhiyuan. As advised by the Management, the Guang Da Group is the sole operating arm of the Group's Automotive Parts Business.

The following diagram depicts the simplified shareholding structure of the Guang Da Group (i) as at the Latest Practicable Date; and (ii) upon Completion:

(i) As at the Latest Practicable Date



(ii) Upon Completion



Note: Nanyang Zhiyuan is a company established in the PRC with limited liability on 25 May 2015 and is wholly beneficially owned by Mr. Zhao and his spouse.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon Completion, the equity interest in Guang Da will be held by the Group, Xi Investment and Zhiyuan Investment as to 74%, 13% and 13%, respectively. The Guang Da Group will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements.

B. Financial information of the Guang Da Group

A summary of the unaudited consolidated financial information of the Guang Da Group for FY2015 and FY2016 as extracted from the Letter from the Board is set out below:

Table 2: Financial information of the Guang Da Group

	FY2016 (unaudited) <i>RMB'000</i>	FY2015 (unaudited) <i>RMB'000</i>
Net profit/(loss) before tax	47,741	(13,753)
Net profit/(loss) after tax	24,713	(17,143)
Net profit/(loss) attributable to the equity shareholders	11,585	(16,878)

As illustrated in Table 2 above, the Guang Da Group made a turnaround from a loss-making position of approximately RMB16.9 million in FY2015 to a profit-making position of approximately RMB11.6 million in FY2016. As advised by the Management, such improvement was primarily due to the increase in revenue as a result of the enhancement of market share of the Automotive Parts Business.

As at 30 June 2017, the unaudited consolidated net assets of the Guang Da Group attributable to the equity shareholders was approximately RMB231.45 million (equivalent to approximately HK\$271.49 million).

3. Information on the Subscribers

As mentioned in the Letter from the Board, Xi Investment is a company incorporated in Hong Kong with limited liability on 26 October 2017 for the purpose of entering into the Subscription Agreement. As at the Latest Practicable Date, Xi Investment is wholly-owned by Mr. Sea (being the chairman of the Company, an executive Director and a substantial Shareholder holding approximately 10.69% of the total issued shares of the Company as at the Latest Practicable Date). According to the 2016 Annual Report, Mr. Sea was appointed as the Chairman and a non-executive Director on 27 April 2011 and has been re-designated as an executive Director on 1 January 2015. He is responsible for the general strategic planning and business planning and co-ordination of the Group (including the Guang Da Group), as well as for supervision of the enforcement and execution of the management's strategies. He is also a director of a number of subsidiaries of the Company (including Guang Da and Nanyang Cijan).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhiyuan Investment is a company incorporated in Hong Kong with limited liability on 26 October 2017 for the purpose of entering into the Subscription Agreement. As at the Latest Practicable Date, Zhiyuan Investment is wholly-owned by Mr. Zhao (being a co-chief executive officer of the Company and an executive Director). According to the 2016 Annual Report, Mr. Zhao was appointed as the chief executive officer of the Company and an executive Director on 22 May 2011. He joined the Group in 2005. Mr. Zhao has plenty of experience in management in automobile shock absorber industry. On 26 July 2017, Mr. Zhao has been re-designated as a co-chief executive officer of the Company and remains as an executive Director. He is principally responsible for the development, operation and management of the Automotive Parts Business of the Group (including the Guang Da Group). Mr. Zhao is also a director of a number of subsidiaries of the Company (including Nanyang Cijan and its subsidiaries).

4. Reasons for and benefits of the Subscription

Before 2014, the Group was principally engaged in the Automotive Parts Business in the PRC through the Guang Da Group. Since late 2014, the Group has been paying close attention to the slowdown of the growth of the automotive manufacturing industry in the PRC. The more demanding technology requirements, rising costs and increasing competition have squeezed the profit margin of the automotive components manufacturing industry. Against this background, Nanyang Cijan, the operating subsidiary of the Guang Da Group, entered into a subscription agreement dated 10 August 2015 with Nanyang Zhiyuan, a company wholly owned by Mr. Zhao and his spouse, in relation to the subscription of 30% equity interest in Nanyang Cijan at the subscription price of RMB110 million with a view to, among other things, lowering the working capital required on the part of the Group for the Automotive Parts Business. Please refer to the announcement and circular of the Company dated 10 August 2015 and 14 September 2015, respectively, for further details of the aforementioned subscription agreement. On the other hand, since the end of 2014, the Group has started moving into the financial services business, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the financial services business while developing its education operation business. It shifted its principal focus onto education operations and utilized its own diversified financial services units, intending to build a platform of operation, investment and financing in the education sector guided by its “Education Operation plus Financial Services” strategy thereby delivering a long-term stable cash flow and generating favourable investment returns for its shareholders and partners.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the great effort placed by the Group in broadening its business spectrum in recent years, the Group's reliance on the Automotive Parts Business, in terms of both revenue and gross profit, has been reducing at a healthy pace. Notwithstanding that the Automotive Parts Business remains as the major revenue driver of the Group, revenue derived from the Automotive Parts Business to the Group's total revenue dropped from 100% for the year ended 31 December 2014 to approximately 94% for FY2016, and further to approximately 80% for PE2017. It is notable that gross profit derived from the Automotive Parts Business merely represented approximately 60% of the Group's total gross profit for PE2017, implying that the gross profit margin of the Automotive Parts Business is lower than that of the financial services business and education operation business. As a result of the Subscription, the equity interest of the Group in Guang Da will be reduced from 100% to 74%. As if the Subscription has been completed on 31 December 2015, net profit of the Guang Da Group attributable to the Group in FY2016 would decrease from approximately RMB11.6 million to approximately RMB8.6 million. As compared to the Group's net profit attributable to owners of the Company of RMB178.7 million in FY2016, we concur with the Management's view that the Subscription would not cause material adverse impact on the profitability of the Group. On the contrary, given the facts that (i) the Subscription will provide the Guang Da Group an estimated net proceeds of approximately HK\$91 million for repayment of debts, overseas research and development and general working capital (please refer to the following paragraph for further details of use of proceeds from the Subscription); and (ii) upon Completion, the equity interest of the Group in Guang Da will be reduced from 100% to 74%, we agree with the Management's view that the Subscription will lower the working capital required on the part of the Group for the business operation of the Guang Da Group, and allow the Group to re-allocate its capital and management resources to focus on its education operation business and financial services business (including but not limited to further investment in educational institutions and projects, launch of educational consultancy and management services, acquisition of overseas financial service licenses, and expansion of the scope and scale of service of its existing financial services business), which are of great potential, and, in turn, create more value to the Shareholders.

As mentioned in the Letter from the Board, the estimated net proceeds from the Subscription, after deducting the costs and expenses in relation to the Subscription of approximately HK\$1 million, would be approximately HK\$91 million. In view of its working capital requirement, Guang Da intends to use the net proceeds from the Subscription as to approximately HK\$78 million for repayment of debts, as to approximately HK\$5 million for overseas research and development and as to approximately HK\$8 million for its general working capital. We have obtained from the Management and reviewed the unaudited consolidated management accounts of the Guang Da Group for FY2016 and PE2017, and noted therefrom that the Guang Da Group maintained a net current liabilities position of approximately RMB366.1 million as at 31 December 2016 and approximately RMB330.8 million as at 30 June 2017. As at 30 June 2017, the Guang Da Group's total borrowings due within one year amounted to approximately RMB433.7 million, representing approximately 7 times of its bank balances and cash. The repayment of debts by utilizing the majority portion of proceeds from the Subscription would mitigate the borrowing level and improve the financial position of the Guang Da Group and in turn, place the Guang Da Group at a better position in negotiation for new borrowings and/or fund raising exercise as and when necessary. We further noted

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from the 2017 Interim Report that the Group's bank balances and cash amounted to approximately RMB746.1 million as at 30 June 2017, which could well cover the Guang Da Group's total borrowings due within one year of approximately RMB433.7 million. In this regard, we have enquired with the Management about the reason for not repaying the Guang Da Group's borrowings with the Group's internal resources but through the Subscription instead. As advised by the Management, the principal reason for the Subscription is not merely for fund-raising, but also to lower the working capital required on the part of the Group for the business operation of the Guang Da Group, and allow the Group to re-allocate its capital and management resources to focus on its education operation business and financial services business as discussed above. Furthermore, as disclosed in the 2017 Interim Report, the Group's total borrowings due within one year reached approximately RMB2,103.2 million as at 30 June 2017, representing approximately 2.8 times of the Group's bank balances and cash as at 30 June 2017 and implying a shortfall of cash of approximately RMB1,357.1 million for repayment of debts. More importantly, the Group recorded net cash outflow from operating activities of approximately RMB801.8 million and approximately RMB416.4 million in FY2016 and PE2017. In view of the above, we concur with the Management's view that it is reasonable for the Group to repay the Guang Da Group's borrowing by using the proceeds from the Subscription, rather than the Group's internal resources, and that the Subscription is in the interests of the Company and the Shareholders as a whole.

In addition, the Management considers that the Automotive Parts Business is a traditional manufacturing business which requires substantial input in capital, research and development, labour forces and cost control. The profitability of the Automotive Parts Business is, to a certain extent, susceptible to the economic environment and the regulatory measures on the automotive industry in the PRC. Although the financial performance of the Automotive Parts Business showed improvement as demonstrated by the increasing revenue in FY2016 and PE2017 as well as the turnaround from a net loss position in FY2015 to a net profit position in FY2016, the Management considers it necessary to diversify the Group's business segments in order to minimise the single business risk of the Group. In this regard, the Management has committed to broaden the business and revenue stream of the Group by entering into the financial services business and education operation business since the end of FY2014. In FY2016 and PE2017, the effect of diversification has been gradually reflected. As advised by the Management, the Group will continue to commit its capital resources to further develop and strengthen its financial services business and education operation business. In the meanwhile, the Group will continue to promote the growth of the Automotive Parts Business, which remains as the fundamental segment of the Group. The Subscription represents a good opportunity for the Guang Da Group to improve its financial strength, which is in line with the Group's intention to continue to promote the growth of the Automotive Parts Business, while allowing the Group to maintain its control on the Guang Da Group and re-allocate its capital and management resources to focus on its education operation business and financial services business. In view of the above, we are of the view that the deemed disposal of the Guang Da Group as a result of the Subscription is in the interests of the Company and its Shareholders as a whole.

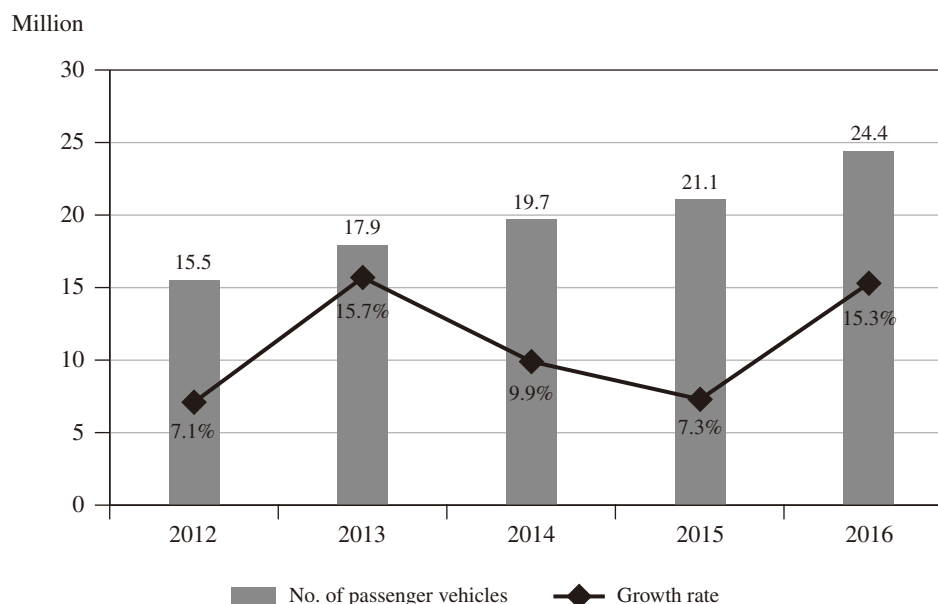
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, Mr. Sea and Mr. Zhao, being the ultimate beneficial owners of the Subscribers, have been working for and contributing to the Group for a long period of time, and joined the Board since 2011. In particular, Mr. Zhao is one of the founders of the Group and has plenty of experience in management in automobile shock absorber industry. As executive Directors of the Company, Mr. Sea and Mr. Zhao are responsible for the general strategic planning, operation and management of the Group (including the Guang Da Group). On the strength of their leadership and endeavour, revenue of the Group recorded satisfactory growth from approximately RMB556.9 million for the year ended 31 December 2011 to approximately RMB1,474.1 million for FY2016, representing a compound annual growth rate (“CAGR”) of approximately 21.5%, and the Group’s profit increased significantly from approximately RMB56.9 million for the year ended 31 December 2011 to approximately RMB188.3 million for FY2016, representing a CAGR of approximately 27.0%. We share the same view with the Management that it is necessary and essential to leverage on the experience and expertise of Mr. Sea and Mr. Zhao for formulating the strategic direction of the Group (including the Guang Da Group, which serves as the major revenue driver of the Group). Upon Completion, each of Mr. Sea and Mr. Zhao will beneficially hold 13% of the entire issued share capital of Guang Da. Notwithstanding that the interests of Mr. Sea and Mr. Zhao have already been aligned with that of the Company by virtue of the facts that (i) Mr. Sea and his associates held approximately 10.69% of the total issued shares of the Company as at the Latest Practicable Date; and (ii) Mr. Zhao and his spouse indirectly hold 30% interests in Nanyang Cijan (i.e. the operating subsidiary of the Guang Da Group), we concur with the Management’s view that the Subscription can serve as further incentive and enticement to motivate Mr. Sea and Mr. Zhao to create and focus on the shareholders’ value of the Group and retain them in the management level of the Group. Furthermore, the Subscription by Mr. Sea and Mr. Zhao, through their respective wholly-owned companies, in cash, to a certain extent, shows their confidence in the prospects of the Guang Da Group. By increasing their direct interests in the Guang Da Group, we believe that Mr. Sea and Mr. Zhao, as the executive Directors, will be more committed to the furtherance of the business development of the Guang Da Group, which is favourable to the prospect of the Guang Da Group. On the other hand, the Subscription allows the Group to reserve the ultimate control over the Guang Da Group by holding 74% of the entire issued share capital of Guang Da. Should the business and financial performance of the Guang Da Group further improve under the leadership and management of Mr. Sea and Mr. Zhao, the Group could enjoy the success of the Guang Da Group with them.

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Moreover, we have assessed the prospect of the Guang Da Group by conducting a research on the automotive industry in the PRC through public domains. The following chart shows the total number of sales of passenger vehicles in the PRC from 2012 to 2016:

Chart 1: Total number of sales of passenger vehicles in the PRC



Source: the China Association of Automobile Manufacturers

As shown in Chart 1 above, the total number of sales of passenger vehicles in the PRC increased from approximately 15.5 million in 2012 to approximately 24.4 million in 2016, representing a CAGR of approximately 12.0%. Notably, the growth of sales of passenger vehicles dropped gradually from approximately 15.7% in 2013 to approximately 7.3% in 2015, and rebounded to approximately 15.3% in 2016. It is believed that the sharp rebound of growth rate in 2016 was, to a large extent, attributable to the favorable policy jointly announced by the Ministry of Finance and the State Administration of Taxation of the PRC on 30 September 2015 under which the purchase tax for vehicles with engines of 1.6 litres or less would reduce by half from 10% to 5% since 1 October 2015 and up to 31 December 2016. On 13 December 2016, the Ministry of Finance and the State Administration of Taxation of the PRC jointly announced that the purchase tax for vehicles with engines of 1.6 litres or less would maintain at 7.5% for 2017, and restore to the normal rate of 10% from 1 January 2018. Due to the reduction of tax cut, the growth of sales of passenger vehicles for the first ten months in 2017 has obviously slowed down. According to the statistics released by the China Association of Automobile Manufacturers, the total number of sales of passenger vehicles in the PRC for the ten months ended 31 October 2017 amounted to approximately 19.5 million, representing a period-on-period growth of approximately 2.1% as compared to the corresponding period in 2016. In view of the above, and in particular the fact that the tax cut will expire in near future, we are of the view that the prospect of the automotive industry in the PRC is uncertain.

Having considered the above, in particular the facts that (i) it is the Group's development strategy to shift its principal focus onto education operation business and

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financial services business, with an aim to deliver a long-term stable cash flow and generate favourable investment returns for its shareholders and partners; (ii) the Subscription will lower the working capital required on the part of the Group for the business operation of the Guang Da Group and allow the Group to re-allocate its capital and management resources to focus on its education operation business and financial services business; (iii) the Subscription will strengthen the financial position and flexibility of the Guang Da Group by broadening its capital sources; (iv) the Subscription can serve as further incentive and enticement to motivate Mr. Sea and Mr. Zhao to create and focus on the shareholders' value of the Group and retain them in the management level of the Group; (v) the prospect of the automotive industry in the PRC is uncertain; and (vi) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis on the terms of the Subscription Agreement as set out in the paragraph headed "*5. Terms of the Subscription Agreement*"), we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

As mentioned in the Letter from the Board, the Group does not have any plan to further dispose of its equity interest in Guang Da as at the Latest Practicable Date. The Board has no intention to further dispose of the equity interest in Guang Da to the extent that the Automotive Parts Business of the Group will cease to be consolidated into the financial statements of the Company and its subsidiaries on or before the publication of the results of the Company for the year ending 31 December 2017.

5. Terms of the Subscription Agreement

The principal terms of the Subscription Agreement are set out as follows:

- | | |
|----------------------|---|
| Date: | 31 October 2017 (after trading hours) |
| Parties: | <ul style="list-style-type: none">(i) Guang Da (as issuer), an indirect wholly-owned subsidiary of the Company(ii) Xi Investment (as subscriber)(iii) Zhiyuan Investment (as subscriber) |
| Subscription: | <p>Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for the Subscription (Xi) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash.</p> <p>Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for the Subscription (Zhiyuan) Shares, representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, at the Subscription Price of HK\$46 million in cash.</p> |

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According to the Letter from the Board, the Aggregate Subscription Price of HK\$92 million was arrived at after arm's length negotiations among the parties to the Subscription Agreement with reference to (i) the unaudited consolidated net asset value of the Guang Da Group attributable to the equity shareholders of approximately RMB231.45 million (equivalent to approximately HK\$271.49 million) as at 30 June 2017; (ii) the financial performance of the Guang Da Group in recent years; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Subscription" in the Letter from the Board.

We have obtained from the Management the unaudited consolidated management accounts of the Guang Da Group for PE2017, and noted therefrom that the net assets of the Guang Da Group attributable to the equity shareholders as at 30 June 2017 amounted to approximately RMB231.45 million (equivalent to approximately HK\$271.49 million). Having considered that the Aggregate Subscription Price will be settled by the Subscribers in cash, the adjusted net assets of the Guang Da Group attributable to the Subscription Shares (the "**Subscription Shares NAV**"), representing 26% of the total issued shares of Guang Da as enlarged by the issue of the Subscription Shares, would be approximately RMB80.57 million (equivalent to approximately HK\$94.51 million) calculated by the following formula:

$$\text{Subscription Shares NAV} = (A + B) \times 26\%$$

where

A = the net assets of the Guang Da Group attributable to the equity shareholders as at 30 June 2017 (i.e. approximately RMB231.45 million)

B = the Aggregate Subscription Price (i.e. HK\$92 million, or equivalent to approximately RMB78.43 million)

The Aggregate Subscription Price of HK\$92 million represents a slight discount of approximately 2.7% to the Subscription Shares NAV.

In addition to comparing the Aggregate Subscription Price against the Subscription Shares NAV, we have also assessed the fairness and reasonableness of the Aggregate Subscription Price by way of comparing the price-to-earnings ratio ("**PE ratio**") and the price-to-book ratio ("**PB ratio**"), both of which are commonly used valuation multiples in assessing value of a company, implied by the Aggregate Subscription Price with that of listed companies with similar nature as the Guang Da Group. Having considered that (i) the Guang Da Group is principally engaged in automotive parts business (the "**Relevant Business**"); (ii) all the revenue of the Guang Da Group was derived from the Relevant Business; (iii) over 95% of the revenue of the Guang Da Group was generated in the PRC; and (iv) the net assets of the Guang Da Group as at 30 June 2017 was approximately RMB231.45 million (equivalent to approximately HK\$271.49 million), we attempted to identify companies listed on the Stock Exchange based on the following selection criteria: (i) principally engaged in the Relevant Business; (ii) all of revenue for the latest full financial year was derived from research and development, design, manufacturing and/or sale of automobile parts; (iii) over 95% of revenue for the latest full financial year was generated in the PRC; and (iv) market capitalization of which is less than HK\$1 billion as at

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31 October 2017 (being the date of the Subscription Agreement). Nevertheless, we could not locate any comparable companies based on the aforementioned selection criteria.

In this regard, we relaxed the selection criteria to those companies (the “**Comparable Companies**”) listed on the Stock Exchange which (i) are principally engaged in automotive parts business with operations similar to that of the Guang Da Group; (ii) over 75% of revenue for the latest full financial year was derived from research and development, design, manufacturing and/or sale of automobile parts; (iii) over 75% of revenue for the latest full financial year was generated in the PRC; and (iv) are of market capitalization of less than HK\$2 billion as at 31 October 2017. To the best of our knowledge and endeavor, we have identified an exhaustive list of 5 Comparable Companies which fulfill the aforementioned selection criteria.

As each of the Comparable Companies has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, size, profitability and financial position, the comparison of the PE ratio and the PB ratio between the Comparable Companies and the Guang Da Group may not represent an identical comparison. We, however, consider such comparison could be treated as an indication as to the reasonableness and fairness of the Aggregate Subscription Price. The relevant details of the Comparable Companies are set forth in Table 3 below:

Table 3: Details of the Comparable Companies

Stock code	Name	Principal activities	Market capitalization as at 31 October 2017 (being the date of the Subscription Agreement)	Profit/(loss) attributable to equity holders in the latest full financial year prior to the date of the Subscription Agreement (Note 1)	Net assets attributable to equity holders based on the latest published financial statements prior to the date of the Subscription Agreement (Note 1)	PE ratio (times)	PB ratio (times)
305	Wuling Motors Holdings Limited	Manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply	1,156,567.8	164,761.9	1,441,968.9	7.02	0.80
1148	Xinchen China Power Holdings Limited	Development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC	1,474,543.6	218,056.0	3,443,074.1	6.76	0.43

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Stock code	Name	Principal activities	Market capitalization as at 31 October 2017 (being the date of the Subscription Agreement)	Profit/(loss) attributable to equity holders in the latest full financial year prior to the date of the Subscription Agreement (Note 1) (HK\$'000)	Net assets attributable to equity holders based on the latest published financial statements prior to the date of the Subscription Agreement (Note 1) (HK\$'000)	PE ratio (times)	PB ratio (times)
1241	Shuanghua Holdings Limited	Design, development, manufacture and sale of parts of auto air-conditioners and sales of automotive lubricants and express auto repairs and maintenance services	315,250.0	(19,173.9)	458,522.2	NA (Note 2)	0.69
3663	Xiezhong International Holdings Limited	Design, production and sale of automotive heating, ventilation and cooling (HVAC) systems and a range of automotive HVAC components and rendering of services	1,144,000.0	50,801.5	927,667.1	22.52	1.23
6830	Huazhong In-Vehicle Holdings Company Limited	Manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tank of air conditioning or heater units and other non-automobile products	1,556,890.5	123,055.9	864,874.0	12.65	1.80
					Maximum:	22.52	1.80
					Minimum:	6.76	0.43
					Average:	12.24	0.99
					Median:	9.84	0.80
					Aggregate Subscription Price	PE ratio	PB ratio
					(HK\$'000)	(times)	(times)
The Subscription Shares					92,000.00	26.04 (Note 3)	0.97 (Note 4)

Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

- For illustrative purpose, amounts denominated in RMB have been converted to HK\$ at a rate of RMB1.000 to HK\$1.173.
- PE ratio of Shuanghua Holdings Limited (stock code: 1241) is not available because it recorded loss in its latest full financial year.

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3. PE ratio implied by the Aggregate Subscription Price is calculated by dividing the Aggregate Subscription Price by 26% of profit of the Guang Da Group for the year ended 31 December 2016 (i.e. $\text{RMB}11,585,000 \times 1.173 \times 26\% = \text{approximately HK\$}3.5 \text{ million}$).
4. PB ratio implied by the Aggregate Subscription Price is calculated by dividing the Aggregate Subscription Price by 26% of the aggregate of net assets of the Guang Da Group as at 30 June 2017 and the Aggregate Subscription Price (i.e. $(\text{RMB}231,450,000 \times 1.173 + \text{HK\$}92,000,000) \times 26\% = \text{approximately HK\$}94.5 \text{ million}$).

As set out in Table 3 above, the PE ratios of the Comparable Companies ranged from approximately 6.76 times to approximately 22.52 times with an average of approximately 12.24 times and a median of approximately 9.84 times. The PE ratio implied by the Aggregate Subscription Price of approximately 26.04 times is higher than the highest PE ratio among the Comparable Companies.

The PB ratios of the Comparable Companies ranged from approximately 0.43 time to approximately 1.80 times with an average of approximately 0.99 time and a median of approximately 0.80 time. The PB ratio implied by the Aggregate Subscription Price of approximately 0.97 time falls within the range of the PB ratios of the Comparable Companies and is higher than the median of the PB ratios of the Comparable Companies.

Notwithstanding that the Aggregate Subscription Price of HK\$92 million represents a slight discount of approximately 2.7% to the Subscription Shares NAV, having considered the facts that (i) the Aggregate Subscription Price was arrived at after arm's length negotiations among the parties to the Subscription Agreement; (ii) the PE ratio implied by the Aggregate Subscription Price is higher than the highest PE ratio among the Comparable Companies; and (iii) the PB ratio implied by the Aggregate Subscription Price falls within the range of the PB ratios of the Comparable Companies and is higher than the median of the PB ratios of the Comparable Companies, we are of the view that the Aggregate Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Subscription

Upon Completion, the Group will own 74% equity interest in Guang Da. The Guang Da Group will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements.

According to the Letter from the Board, based on the information available to the Group, it is estimated that (i) the earnings attributable to owners of the Company will be reduced by 26% of the profit or loss of the Guang Da Group upon Completion; and (ii) given the fact that the deemed disposal as a result of the Subscription will not change the Company's controlling interest in the Guang Da Group, the Subscription will be treated as an equity transaction and any difference between the Aggregate Subscription Price and the non-controlling interest of the Guang Da Group upon Completion will be recognised directly in equity and attributed to owners of the Company, such that no gain or loss will be incurred by the Group as a result of the Subscription.

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It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion. Shareholders should note that the actual financial impact from the deemed disposal as a result of the Subscription will be subject to final audit.

OPINION

Having taken into account the factors and reasons as stated above, we consider that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned, and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the entering into of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription).

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Managing Director

Rebecca Mak

Director

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2011 and has participated in and completed various independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests of Directors in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO), or (ii) which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules adopted by the Company were as follows:

Long positions in the shares and the underlying shares of the Company

Name of Directors	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Tang Mingyang	Interest of controlled corporation <i>(Note 1)</i>	804,360,000	16.84%
Mr. Sea	Interest of controlled corporation <i>(Note 2)</i>	510,520,000	10.69%

Notes:

- These Shares are held by Chuang Yue. Mr. Tang Mingyang is the sole ultimate beneficial owner of Chuang Yue and hence is deemed to be interested in all the Shares held by Chuang Yue under the SFO.
- These Shares are held by Wealth Max. Mr. Sea is the sole beneficial owner of Wealth Max and hence is deemed to be interested in all the Shares held by Wealth Max under the SFO.

(b) Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of issued Shares held	Approximate percentage of total issued Shares
Chuang Yue	Beneficial owner <i>(Note 1)</i>	804,360,000	16.84%
Wealth Max	Beneficial owner <i>(Note 2)</i>	510,520,000	10.69%
Wang Lily	Interest of spouse <i>(Note 3)</i>	510,520,000	10.69%
New Front Developments Limited	Beneficial owner <i>(Note 4)</i>	461,732,000	9.66%

Notes:

1. Chuang Yue is owned as to 100% by Shenman.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.
2. Wealth Max is owned by Mr. Sea as to 100%.
3. Ms. Wang Lily is the spouse of Mr. Sea. By virtue of the SFO, Ms. Wang Lily is deemed to be interested in all the Shares in which Mr. Sea is interested and/or deemed to be interested.
4. New Front Developments Limited is owned by Ms. Wang Jingyan as to 100%.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was taken or deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Mr. Tang Mingyang is a director of Chuang Yue and Mr. Sea is a director of Wealth Max. Save as disclosed, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying shares of the Company which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016, being the date of the latest published audited financial statements of the Company, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(d) Interests of Directors in contracts

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware and save as disclosed in this circular, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company were made up.

6. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualifications
Astrum Capital Management Limited	a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Astrum Capital Management Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name, in the form and context in which they are included.

As at the Latest Practicable Date, Astrum Capital Management Limited did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Astrum Capital Management Limited did not have any direct or indirect interest in any assets which had, since 31 December 2016, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Units 4501-02 & 12-13, 45/F., The Center, 99 Queen's Road Central, Hong Kong, during normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (d) the written consent of the expert referred to in the section headed "Expert and consent" of this appendix;
- (e) the Subscription Agreement; and
- (f) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China First Capital Group Limited (the “**Company**”) will be held at Units 4501–02 & 12–13, 45/F., The Center, 99 Queen’s Road Central, Hong Kong on Monday, 18 December 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the subscription agreement dated 31 October 2017 (the “**Subscription Agreement**”), a copy of which is produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification, entered into by Guang Da (China) Automotive Components Holdings Limited (“**Guang Da**”) (as issuer), an indirect wholly-owned subsidiary of the Company as at the date hereof, and Xi’s Investment Limited (“**Xi Investment**”) and Hong Kong Zhiyuan Investment Limited (“**Zhiyuan Investment**”) (as subscribers), pursuant to which (i) Guang Da has conditionally agreed to issue and Xi Investment has conditionally agreed to subscribe for 130 shares of Guang Da (the “**Subscription (Xi) Shares**”), representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription (Xi) Shares and the Subscription (Zhiyuan) Shares (as defined below), at the subscription price of HK\$46 million in cash; and (ii) Guang Da has conditionally agreed to issue and Zhiyuan Investment has conditionally agreed to subscribe for 130 shares of Guang Da (the “**Subscription (Zhiyuan) Shares**”), representing 13% of the total issued shares of Guang Da as enlarged by the issue of the Subscription (Xi) Shares and the Subscription (Zhiyuan) Shares, at the subscription price of HK\$46 million in cash, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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- (b) any one of the directors of the Company be and is hereby authorised to execute all documents and do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for the completion of the Subscription Agreement, including but not limited to the issue of the Subscription (Xi) Shares and the Subscription (Zhiyuan) Shares and to agree to such variation, amendment, supplement or waiver in relation thereto.”

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

Hong Kong, 30 November 2017

Notes:

- (1) Any shareholder of the Company (“**Shareholder**”) entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares of the Company (“**Shares**”) may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
- (2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.
- (3) Delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the Meeting convened and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the Meeting, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting, the vote of the senior who tenders a vote either in person or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) As at the date of this notice, the Company’s executive directors are Mr. Wilson Sea, Mr. Tang Mingyang, Mr. Zhao Zhijun, Ms. Li Dan and Mr. Yan Haiting; 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.