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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)

SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) of China First Capital Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) published on 30 April 2021. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the 2020 Annual Report.

DISCLOSURE ON GOING CONCERN UNCERTAINTIES IN CORPORATE GOVERNANCE REPORT

As described in Note 2.1.1 to the consolidated financial statements in the 2020 Annual Report, the Group reported a loss attributable to owners of the Company of approximately RMB374 million for the year ended 31 December 2020. As at 31 December 2020, the Group had accumulated losses of approximately RMB4,013 million and the Group’s current liabilities exceeded its current assets by approximately RMB795 million. As at the same date, the Group’s total borrowings and convertible bonds amounted to approximately RMB2,295 million, of which the total current borrowings and convertible bonds amounted to approximately RMB1,917 million, while its bank balances and cash amounted to approximately RMB207 million only. In addition, during the year ended 31 December 2020, the Group was in default to redeem the convertible bonds with principal amount of HK\$800 million and a winding-up petition was presented by a holder of the convertible bonds to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region in relation to the outstanding principal of the convertible bonds and the accrued interest in an aggregate amount of approximately HK\$863 million (equivalent to approximately RMB727 million). As at 31 December 2020, the outstanding principal and accrued interest of the convertible bonds amounted to approximately RMB752 million and were classified as current liabilities. These conditions, together with other matters described in Note 2.1.1 to the consolidated financial statements in the 2020 Annual Report, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) the Group has been actively negotiating with the holder of the convertible bonds for the renewal of or extension for repayment of outstanding convertible bonds;
- (ii) the Group has been actively negotiating new sources of financing, such as banks borrowings, placement and etc.;
- (iii) in light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact on the Group's operations from time to time to generate sufficient cash;
- (iv) the Group has implemented measures to speed up the collection of outstanding debts;
- (v) the Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the Directors, it is expected that the Group could further negotiate with its creditors and agree on the settlement agreements, where applicable; and
- (vi) the Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The Directors are of the opinion that the Group would be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2020 after taking into consideration the measures as set out in Note 2 to the consolidated financial statements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2020 on a going concern basis.

Further discussion on the Group's going concern uncertainties has been set out in the sections headed "Directors' Report – Significant legal proceedings", "Directors' Report – The Company's position, view and assessment on the disclaimer of opinion", "Directors' Report – Audit Committee's view on the disclaimer of opinion", "Independent Auditor's Report – Basis for Disclaimer of Opinion" and "Notes to consolidated financial statements – Note 2 – Summary of significant accounting policies – 2.1 Basis of Preparation – 2.1.1 Going concern" in the 2020 Annual Report.

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

Hong Kong, 8 June 2021

As at the date of this announcement, the executive Directors are Dr. Wilson Sea, Mr. Zhao Zhijun and Dr. Zhu Huanqiang; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Dr. Du Xiaotang and Mr. Loo Cheng Guan.