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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)**

### **REORGANISATION OF CONVERTIBLE BONDS DUE 2019 AND AMENDMENT OF THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS DUE 2019**

**Financial Adviser**



## **FIRST CAPITAL INTERNATIONAL FINANCE LIMITED**

### **REORGANISATION OF THE CONVERTIBLE BONDS**

The Board is pleased to announce that on 13 January 2022, the Company, Champion Sense and Principal Global entered into the Framework Agreement for the purposes of, among other things, set forth the terms and conditions in relation to the reorganisation of the Original Convertible Bonds. As part of arrangements for the reorganisation of the Original Convertible Bonds, the Additional Security Documents were entered into on 1 December 2021, and the CB Purchase Agreement and the Amendment and Restatement Agreement were entered into on 13 January 2022.

### **AMENDMENT OF THE TERMS AND CONDITIONS**

Pursuant to the Amendment and Restatement Agreement, the Company and Champion Sense agree the amendments to the Terms and Conditions which include, among others, (a) the change of the maturity date of the Original Convertible Bonds from the Original Maturity Date to the Revised Maturity Date; and (b) the change of the conversion price of the Original Convertible Bonds from the Original Conversion Price to the Revised Conversion Price.

Having considered all relevant factors including the available financing alternatives to raise funds required for the repayment of the Group's outstanding borrowings and in light of the reasons and benefits as set out in the section headed "Reasons for and benefits of the Framework Agreement and the transactions contemplated thereunder" of this announcement, the Directors (including the independent non-executive Directors) consider that (a) the reorganisation of the Original Convertible Bonds pursuant to the Framework Agreement; and (b) the terms and conditions of the Framework Agreement and the transactions contemplated thereunder, including the Amendment and Restatement Agreement, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 28.05 of the Listing Rules, any alternation in the terms and conditions of convertible debt securities after issue must be approved by the Stock Exchange, except where the alternation takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for approval of the Amendments contemplated under the Amendment and Restatement Agreement pursuant to Rule 28.05 of the Listing Rules.

## **EGM**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Amendment and Restatement Agreement and the transactions contemplated thereunder, including the Amended and Restated Terms and Conditions, and the grant of the Specific Mandate.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (a) further details of the Framework Agreement, and the transactions contemplated thereunder, including the Amendment and Restatement Agreement; (b) further details of the Specific Mandate; (c) a notice of the EGM, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

## **GENERAL**

**The Amendments will only become effective after the satisfaction of the conditions precedent contained in the Amendment and Restatement Agreement. Accordingly, the reorganisation of the Original Convertible Bonds as contemplated under the Framework Agreement may or may not fully proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

## **BACKGROUND**

Reference is made to (i) the Announcements; (ii) the announcement of the Company dated 13 December 2019 in relation to possible amendment of the Terms and Conditions; (iii) the announcement of the Company dated 4 March 2020 in relation to statutory demand from Champion Sense; and (iv) the announcements of the Company dated 30 September 2020, 23 December 2020, 28 December 2020, 8 February 2021, 16 April 2021, 14 July 2021 and 15 October 2021, respectively, in relation to the Winding-up Petition.

On the Issue Date, the Company issued, and Champion Sense subscribed for, the Original Convertible Bonds. Principal terms of the Original Convertible Bonds are set out in the Announcements. The Original Convertible Bonds are originally guaranteed by the Guarantor and secured by the Chuang Yue Account Charge.

The Company had not redeemed the Original Convertible Bonds on the Original Maturity Date in accordance with the Terms and Conditions. On 28 September 2020, Champion Sense filed the Winding-up Petition. The hearing of the Winding-up Petition has been adjourned to 17 January 2022.

As at the date of this announcement, (a) Champion Sense is the sole holder of the Original Convertible Bonds; (b) the outstanding principal amount of the Original Convertible Bonds is HK\$770 million; and (c) the accrued interests and default interests payable on the Original Convertible Bonds in aggregate are approximately HK\$242.8 million.

## **FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 13 January 2022, the Company, Champion Sense and Principal Global entered into the Framework Agreement for the purposes of, among other things, set forth the terms and conditions in relation to the reorganisation of the Original Convertible Bonds.

Principal terms of the Framework Agreement are summarised below:

### **Date**

13 January 2022

### **Parties**

1. The Company;
2. Champion Sense; and
3. Principal Global.

## **Reorganisation of the Original Convertible Bonds**

The parties to the Framework Agreement have agreed to reorganise the Original Convertible Bonds by the following arrangements:

1. The Company and certain Group Companies, for the purposes of providing additional security for the Original Convertible Bonds, have entered into the Additional Security Documents.
2. Champion Sense as vendor and Principal Global as purchaser shall enter into the CB Purchase Agreement.
3. (a) The Company as issuer; (b) Champion Sense as initial Bondholder and Majority Bondholder; and (c) Chuang Yue, FC Fund, Rosser Investments and FC Financial Group as existing third-party security providers and covenantors, shall enter into the Amendment and Restatement Agreement.
4. By the date falling one month after the date of the Amendment and Restatement Agreement, the Company and Principal Global shall cause the principal amount of the Original Convertible Bonds held by Champion Sense be reduced by HK\$117.5 million to HK\$652.5 million by means of (i) the Company redeems part of the Original Convertible Bonds; and/or (ii) Principal Global pays the Purchase Consideration in accordance with the CB Purchase Agreement.
5. The Amendments shall take effect upon the fulfilment of paragraph 4 above and the other conditions precedent to the Amendment and Restatement Agreement. Notwithstanding that the Amendments have not taken effect by reason that any condition precedent to the Amendment and Restatement Agreement has not been fulfilled, the Additional Security Documents, the CB Purchase Agreement and the transactions contemplated thereunder shall not be affected.
6. Within ten Business Days from the date on which Champion Sense received an aggregate amount of HK\$117.5 million (including repayment of principal amount and/or payment of the Purchase Consideration as set out in paragraph 4 above), Champion Sense shall apply for the withdrawal of the Winding-up Petition.

## **Undertakings of the Company, the Group Companies and Principal Global**

Each of the Company and Principal Global has undertaken to Champion Sense, among others, the following:

1. before the principal, accrued interests and other relevant fees in relation to the Convertible Bonds have been fully and completely repaid and/or paid, without prior written consent of Champion Sense, certain Group Companies will not (i) incur any external indebtedness save for the indebtedness that has been incurred as of the date of and disclosed in the Framework Agreement, and (ii) create any encumbrance including security on the shares held in other companies or their assets other than in favour of Champion Sense and save for encumbrances existed as of the date of and disclosed in the Framework Agreement;

2. the Company and Principal Global shall procure the relevant Group Companies (save for Group Companies waived by Champion Sense) to comply with the obligations referred to in paragraph 1 above;
3. if any Group Company breaches the restrictions in paragraph 1 above, such Group Company shall apply the fund obtained from the indebtedness incurred or the encumbrances created for repayment of the principal, accrued interests and other relevant fees in relation to the Convertible Bonds held by Champion Sense; and
4. from the date of the Framework Agreement to the date on which the reorganisation of the Original Convertible Bonds is completed in accordance with the terms of the Framework Agreement, Principal Global, the Intended Investors and their respective affiliates and concert parties will not (i) directly or indirectly obtain and hold the issued shares, stocks or equity interests of the Company and/or the subsidiaries of the Company; and (ii) create or obtain any direct or indirect creditor's right against the Company and/or the subsidiaries of the Company, save for interests and rights existed as of the date of and disclosed in the Framework Agreement or with prior written consent of Champion Sense.

Each of the relevant Group Companies has entered into an undertaking with respect to the obligations referred to in paragraph 1 above in favour of Champion Sense as of the date of the Framework Agreement.

The Company (i) has further undertaken that so long as Champion Sense holds any Convertible Bonds and prior to the completion of the reorganisation of the Original Convertible Bonds in accordance with the Framework Agreement, without the prior written consent or instruction of Champion Sense, the Company will not accept the conversion of the relevant Convertible Bonds by Principal Global and all sums which the Company pays under the Convertible Bonds held by Principal Global shall be paid to Champion Sense as payment of the Purchase Consideration; and (ii) has agreed that if Champion Sense retains principal amount of the Convertible Bonds pursuant to the CB Purchase Agreement, Champion Sense has the right to reject payment by the Company for the redemption of the retained Convertible Bonds.

## **ADDITIONAL SECURITY DOCUMENTS**

The Company and certain Group Companies, for the purposes of providing additional security for the Convertible Bonds, have entered into the Additional Security Documents in favour of Champion Sense with details as follows:

1. a Share Charge dated 1 December 2021 between Rosser Investments as chargor, Champion Sense as chargee and Hong Yang for the charge of 100% shares in Hong Yang, which in turn beneficially owns 51% effective equity interest in Yinghua School;
2. a Share Charge dated 1 December 2021 between FC Fund as chargor, Champion Sense as chargee and Xinjiang Edukeys for the charge of 100% shares in Xinjiang Edukeys;
3. a Charge over Account dated 1 December 2021 between the Company as chargor and Champion Sense as chargee for the charge of a cash account of the Company held with FC Securities;

4. a Charge over Account dated 1 December 2021 between the Company as chargor and Champion Sense as chargee for the charge of a margin account of the Company held with FC Securities;
5. a Share Charge dated 1 December 2021 between the Company as chargor and Champion Sense as chargee for the charge of 100% shares in FC Financial Group, which in turn owns 100% shares in each of FC Securities, FC International Finance and FC Asset Management;
6. a Share Charge dated 1 December 2021 between FC Financial Group as chargor and Champion Sense as chargee for the charge of 100% shares in FC Securities;
7. a Share Charge dated 1 December 2021 between FC Financial Group as chargor and Champion Sense as chargee for the charge of 100% shares in FC International Finance;
8. a Share Charge dated 1 December 2021 between FC Financial Group as chargor and Champion Sense as chargee for the charge of 100% shares in FC Asset Management;
9. a Deed of Undertaking and Indemnity dated 1 December 2021 by the Company in favour of Champion Sense, whereby, among other things, the Company has undertaken that for so long as the liabilities under the Convertible Bonds remain outstanding, it shall not without the prior written consent of Champion Sense create any security interest or dispose of any interest in Yinghua School, Xishan School, Xinjiang Edukeys, Nanyang Cijan, FC Financial Group and each of their respective affiliated corporation and organisation (whether directly or indirectly) and, if the Company disposes of any of such interest, all proceeds of such disposal shall be first applied towards the discharge of the liabilities under the Convertible Bonds unless and until such liabilities have been paid or discharged in full; and
10. a Deed of Undertaking and Indemnity dated 1 December 2021 by FC Financial Group in favour of Champion Sense, whereby, among other things, FC Financial Group has undertaken that for so long as the liabilities under the Convertible Bonds remain outstanding, it shall not without the prior written consent of Champion Sense create any security interest or dispose of any interest in FC Securities, FC International Finance and FC Asset Management, and if it disposes of any of such interest, all proceeds of such disposal shall be first applied towards the discharge of the liabilities under the Convertible Bonds unless and until such liabilities have been paid or discharged in full.

In light of the Winding-up Petition, the approval of the High Court is required for the creation of the security contemplated under security document entered into by the Company referred to in paragraphs 3, 4 and 5 above and as such, such security documents will take effect on the date the approval of the High Court is obtained by the Company or the Winding-up Petition has been withdrawn (whichever occurs first).

## CB PURCHASE AGREEMENT

### Date

13 January 2022

### Parties

- (a) Champion Sense as vendor; and
- (b) Principal Global as purchaser.

### Sale and purchase of the Convertible Bonds

Pursuant to the CB Purchase Agreement, Champion Sense agrees to sell and Principal Global agrees to purchase the Convertible Bonds together with all rights accrued thereon (including accrued interests and default interests) for the Purchase Consideration.

### Purchase Consideration

The Purchase Consideration shall be satisfied by the following stages:

Stage	Timeline	Purchase Consideration (HK\$ million)
1.	Date of the CB Purchase Agreement	37.5 <sup>#</sup>
2.	2 months from the date of the CB Purchase Agreement	80.0
3.	6 months from the date of the CB Purchase Agreement	112.5
4.	12 months from the date of the CB Purchase Agreement	270.0
5.	18 months from the date of the CB Purchase Agreement	270.0
Total:		<hr/> 770.0

<sup>#</sup> As at the date of this announcement, Principal Global has paid HK\$37.5 million to Champion Sense as earnest money, which will be applied to satisfy the Purchase Consideration payable at stage 1 above.

Champion Sense has the right to retain not more than 10% of the total principal amount of the Convertible Bonds, i.e., not more than HK\$77.0 million. If Champion Sense retains principal amount of the Convertible Bonds, the Purchase Consideration payable at stage 5 above shall be reduced on a pro-rata basis.



If, prior to completion of the sale and purchase of the Convertible Bonds in full, the Company repays the relevant amount owing under the Convertible Bonds held by Champion Sense which results in a corresponding reduction in the principal amount of the Convertible Bonds held by Champion Sense, the principal amount of the Convertible Bonds that may be purchased by Principal Global from Champion Sense shall reduce and the Purchase Consideration shall also reduce in the reverse order from stage 5 to stage 2 above. However, if the Company uses the fund raised by equity fund raising or unsecured debt financing to repay the relevant amount owing under the Convertible Bonds held by Champion Sense, the principal amount of the Convertible Bonds that may be purchased by Principal Global from Champion Sense shall reduce and the Purchase Consideration shall also reduce in the order from stage 2 to stage 5 above.

### **Completion of the sale and purchase of the Convertible Bonds**

Completion of the sale and purchase of the Convertible Bonds may take place at multiple intervals with the principal amount of HK\$10.0 million or its integrals.

### **Security**

As continuing security for the full and punctual payment, performance and discharge of the obligations under the CB Purchase Agreement, among other things, (i) each of the Intended Investors has charged his shares in Principal Global to Champion Sense; (ii) any and all present and future moneys, debts and liabilities owing by Principal Global to each of its shareholders shall be made subordinated to the rights and claims of Champion Sense in connection with and/or under the CB Purchase Agreement; (iii) Principal Global has charged all its assets to Champion Sense; and (iv) Principal Global has agreed to charge the Convertible Bonds it purchased under the CB Purchase Agreement to Champion Sense.

## **AMENDMENT AND RESTATEMENT AGREEMENT**

### **Date**

13 January 2022

### **Parties**

1. The Company, as issuer;
2. Champion Sense, as initial Bondholder and Majority Bondholder;
3. Chuang Yue, as security provider and covenantors;
4. FC Fund, as security provider and covenantors;
5. Rosser Investments, as security provider and covenantors; and
6. FC Financial Group, as security provider and covenantors.



## **Amendment and restatement of the Terms and Conditions**

The parties agree the following amendments to the Terms and Conditions, among others,

1. the change of the maturity date of the Original Convertible Bonds from the Original Maturity Date to the Revised Maturity Date;
2. the change of the conversion price of the Original Convertible Bonds from the Original Conversion Price to the Revised Conversion Price;
3. the release of the Guarantor from all and any of his undertakings, obligations and liabilities under or in respect of the Subscription Agreement, the Guarantee and other transaction documents; and
4. the release of all or part of the Shares which are subject to the security created by the Chuang Yue Account Charge.

## **Amendment Effective Date**

The Amendments will take effect on the Amendment Effective Date upon Champion Sense having received all of the following condition precedent documents:

1. a copy of the Amendment and Restatement Agreement duly entered into by the parties thereto;
2. the resolutions passed by the Board approving, among other things, the making of the Amendments and the Company's execution, delivery and performance of the Amendment and Restatement Agreement and the Amended and Restated Terms and Conditions;
3. a duly executed written resolutions of Champion Sense approving the Amendments contemplated by the Amendment and Restatement Agreement;
4. evidence that the consent of the Stock Exchange has been obtained or effected for the Amendments; if such consent of the Stock Exchange was communicated orally, a written statement signed on behalf of the Company setting out reasonable details of the notice communicated orally by the Stock Exchange shall be sufficient to serve the purpose of this condition;
5. evidence that the approval of the Stock Exchange has been obtained for the listing of all the Shares liable to be issued on conversion of the Revised Convertible Bonds from time to time remaining outstanding pursuant to terms of Amended and Restated Terms and Conditions;
6. evidence that the Stock Exchange has no further comment on the draft circular of the Company regarding the Amendments;

7. evidence that the Company has duly convened a general meeting of its shareholders for the grant of the Specific Mandate to the Board permitting the issue of all the Shares liable to be issued on conversion of the Revised Convertible Bonds from time to time remaining outstanding pursuant to terms of Amended and Restated Terms and Conditions, and that such a mandate has been granted at the said general meeting;
8. evidence that, by the date falling one month after the date of the Amendment and Restatement Agreement, the aggregate principal amount of the Original Convertible Bonds held by Champion Sense, which remain outstanding, has decreased from HK\$770 million (as of the date of the Amendment and Restatement Agreement) to HK\$652.5 million or to an amount less than HK\$652.5 million either (i) as a result of the transfer of the Original Convertible Bonds from Champion Sense to Principal Global as contemplated by the CB Purchase Agreement, or (ii) by the Company repaying to Champion Sense an aggregate principal amount of no less than HK\$117.5 million; and
9. a copy of each any other consents and approvals required (if any) on the part of each of the Company and its relevant entities in relation to its entry into and the performance of its obligations under the Amendment and Restatement Agreement (including, without limitation, approval by such entity's board of directors, shareholders and any relevant governmental or regulatory authorities).

If the above conditions precedent are not satisfied on or before the date falling two months after the date of the Amendment and Restatement Agreement or such a later date as Champion Sense may specify and notify to the Company:

1. the Amendment and Restatement Agreement shall terminate and be of no further effect and no party thereto shall be under any liability to any other in respect thereof;
2. the termination of the Amendment and Restatement Agreement shall be without prejudice to the rights of any party thereto against the other parties for any breach of the Amendment and Restatement Agreement or liability accrued prior to such termination; and
3. the provisions of the transaction documents (including without limitation the Terms and Conditions, the Chuang Yue Account Charge and each other documents evidencing or creating security over any asset to secure the obligations and liabilities under each transaction documents in relation to the Original Convertible Bonds, and each guarantee or indemnity contained therein) shall continue in full force and effect without giving effect to the Amendments and as if the Amendments have never been proposed or contemplated.

## **Security**

The Revised Convertible Bonds will have the benefit of the security constituted by, among others, the Chuang Yue Account Charge and the Additional Security Documents.

### **Release of security under the Chuang Yue Account Charge**

Subject to and conditional upon the fulfilment of the following conditions at any time after the Amendment Effective Date and before the date on which the Revised Convertible Bonds are paid in full, the Company may by sending a written request to the Majority Bondholders to request for the release of all or part of the Shares which are subject to the security created by the Chuang Yue Account Charge from such security:

1. a third party(ies) (other than Chuang Yue) designated by the Company which own(s) no less than 133,340,000 Shares shall have agreed to grant security over the Replacement Charged Shares in favour of the Majority Bondholders (for itself and for the benefit of other Bondholders, if any) to secure the obligations and liabilities in relation to the Revised Convertible Bonds;
2. such third party(ies) shall have entered into the Alternative Account Charge for the purpose of effectuating the security contemplated in paragraph 1 above; and
3. the Company shall have, promptly on demand, paid the Majority Bondholders the amount of all costs and expenses (including legal fees) reasonably incurred by the Majority Bondholders in connection with the negotiation, preparation, printing, execution and perfection of the Alternative Account Charge.

The number of the Shares to be released from the security created by Chuang Yue Account Charge shall be equal to the number of Replacement Charged Shares. It is agreed between Chuang Yue and the Company that, upon the fulfilment of the aforesaid conditions to the satisfaction of the Majority Bondholders, the Company is obliged to issue the written request to the Majority Bondholders within seven days of a written request made by Chuang Yue to the Company.

## **DEED OF SETTLEMENT**

Champion Sense, Principal Global and the Guarantor have entered into a Deed of Settlement dated 13 January 2022, pursuant to which each of Champion Sense and Principal Global agrees to release and discharge the Guarantor from all and any of his liabilities, undertakings and obligations arising from and/or in connection with the Subscription Agreement, the Guarantee and/or other transaction documents with effect from:

- (a) the day immediately following the expiry of six months from the date on which the Additional Security Documents are signed by all the relevant parties, provided that the Amendment Effective Date having been designated and confirmed in writing by Champion Sense and the Company in accordance with the terms of Amendment and Restatement Agreement within the said six months; or

- (b) in the event that no Amendment Effective Date has been designated and confirmed in writing by Champion Sense and the Company in accordance with the terms of Amendment and Restatement Agreement by the end of the said six months, the day immediately following the Amendment Effective Date,

provided always that the release and discharge of the Guarantor shall not be of any effect if, in addition to an existing court action, Champion Sense takes further legal action to enforce the Guarantee due to any of the Additional Security Documents ceases to be, or ceases to become, effective or has been terminated or set aside within the said six months.

## **REVISED TERMS AND CONDITIONS**

The principal terms and conditions of the Revised Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$770,000,000
Maturity Date:	The Revised Maturity Date
Interest:	The Revised Convertible Bonds shall bear interest on the outstanding principal amount of the Revised Convertible Bonds from and including the Issue Date up to and including the Revised Maturity Date at the rate of (a) 7% per annum for the period from and including the Issue Date up to and excluding the first anniversary of the Issue Date; and (b) 8% per annum for the period from the first anniversary of the Issue Date up to and including the Revised Maturity Date, which shall accrue daily and is payable semi-annually in arrears on 20 June and 20 December of each year falling after the Issue Date.
Conversion:	Subject to the Amended and Restated Terms and Conditions, each Revised Convertible Bond shall entitle the Bondholder to convert such Revised Convertible Bond into new Shares credited as fully paid at any time during the Revised Conversion Period. The number of Conversion Shares to be issued on exercise of the conversion right of the Revised Convertible Bonds shall be determined by dividing the principal amount of the Revised Convertible Bonds to be converted by the Revised Conversion Price in effect on the relevant Revised Conversion Date.

Acceptance and rejection of  
Conversion Notice:

Any Conversion Notice is subject to acceptance by the Company. If the Company refuses to accept a duly completed and properly delivered Conversion Notice during the Revised Conversion Period, the Company shall give a rejection notice to such Bondholder (with a copy to all other Bondholders) within three Business Days of the Company's receipt of such Conversion Notice. In such event, an amount equal to simple interest on the Principal Amount Outstanding of the relevant Revised Convertible Bonds with respect to which the Company refuses to accept a duly completed and properly delivered Conversion Notice during the Revised Conversion Period calculated at 2% per annum in respect of the period commencing on and including the first anniversary after the Issue Date up to and including the Revised Maturity Date or other redemption date of the Revised Convertible Bonds, as the case may be, shall be payable by the Company to such Bondholder.

Limitation of  
conversion rights:

A Bondholder shall not exercise any conversion rights attached to the Revised Convertible Bonds and the Company shall not be required to issue any Conversion Shares if as a result of the relevant exercise of the conversion rights, it will cause either (a) the public float of the Company does not meet the relevant requirements under the Listing Rules; or (b) such Bondholder and/or parties acting in concert with it would be required to make a mandatory general offer for the Shares under Rule 26 of the Hong Kong Code on Takeovers and Mergers.

Number of Conversion  
Shares to be issued:

Assuming the conversion rights attaching to the principal amount of HK\$770 million under the Revised Convertible Bonds are exercised in full at the Revised Conversion Price of HK\$0.188, 4,095,744,680 Conversion Shares will fall to be issued to the Bondholder(s), representing approximately 304.47% of the issued share capital of the Company as at the date of this announcement and approximately 75.28% of the issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares.

Revised Conversion Period:

On or after the first anniversary of the Issue Date to the close of business on the date falling ten Business Days prior to the Revised Maturity Date (both days inclusive) or, if the Revised Convertible Bonds shall have been called for redemption by the Company before the Revised Maturity Date, then up to and including the close of business on a date no later than ten days prior to the date fixed for redemption thereof.

**Revised Conversion Price:** Initially HK\$0.188 per Conversion Share, which was determined after arm's length negotiations between the Company and Champion Sense with reference to the lower of (i) 90% of the average of the daily closing price per Share on each of the ten consecutive trading date ending on and including the trading day immediately preceding the date of the Amendment and Restatement Agreement, and (ii) HK\$0.50 per Share.

The Revised Conversion Price of HK\$0.188 represents:

- (a) a discount of 6.00% to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 8.29% to the average closing price of HK\$0.205 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to the Last Trading Day; and
- (c) a discount of approximately 10.48% to the average closing price of approximately HK\$0.210 per Share as quoted on the Stock Exchange for the ten trading days of the Shares immediately prior to the Last Trading Day.

**Adjustment of the Revised Conversion Price:** The Revised Conversion Price is subject to adjustment in accordance with the Amended and Restated Terms and Conditions including, among others:

- (a) consolidation, subdivision or re-classification of the Shares;
- (b) issue of any Shares credited as fully paid to the Shareholders including Shares paid up out of distributable profits or reserves and/or share premium account (except any scrip dividend);
- (c) payment or making of any capital distribution to the Shareholders;

- (d) issue of Shares or any securities to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares or any securities, in each case at less than 90% of the current market price per Share on the date of the announcement of the terms of the issue or grant;
- (e) issue of any Shares (other than Shares issued on the exercise of the conversion right of the Revised Convertible Bonds or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares (other than the Revised Convertible Bonds), in each case at a price per Share which is less than 90% of the current market price on the date of announcement of the terms of such issue;
- (f) the Company or any of its subsidiaries, or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Revised Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the current market price on the date of announcement of the terms of issue of such securities;
- (g) any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than the Revised Convertible Bonds and other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 90% of the current market price on the date of announcement of the proposals for such modification; and
- (h) the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.



Redemption:

- (a) On the Revised Maturity Date, the Company will redeem each Revised Convertible Bond at the Principal Amount Outstanding together with any and all accrued but unpaid interest and unpaid default interest. The Company may not redeem the Revised Convertible Bonds at its option prior to the Revised Maturity Date.
- (b) Following the occurrence of a Relevant Event, a Bondholder will have the right at such Bondholder's option, to require the Company to redeem all but not some only of such Bondholder's Revised Convertible Bonds at the Principal Amount Outstanding together with any and all accrued but unpaid interest and unpaid default interest.
- (c) If at any time it becomes unlawful in any applicable jurisdiction for a Bondholder to perform any of its obligations as contemplated by any Transaction Document or to hold or maintain its holding of any Revised Convertible Bond, the Bondholder may require the Company to redeem the Revised Convertible Bonds held by such Bondholder upon becoming aware of that event at the Principal Amount Outstanding together with any and all accrued but unpaid interest and unpaid default interest.
- (d) Following the occurrence of a LTV Trigger Event, a Bondholder shall have the right at such Bondholder's option, to require the Company to redeem any or all of the Revised Convertible Bonds at such portion of Principal Amount Outstanding together with any and all accrued but unpaid interest and unpaid default interest. In the event that the LTV Ratio is restored to less than 40% within five Business Days of delivery of the Issuer Top Up Notice, the relevant redemption notice shall lapse automatically and have no further effect and accordingly no redemption of the Revised Convertible Bonds pursuant to such redemption notice shall take place.

- (e) On the occurrence of any one or more of the events of default set forth in the Amended and Restated Terms and Conditions, (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be) at its/their discretion may give notice to the Company that the Revised Convertible Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued but unpaid interest. If any principal amount of the Revised Convertible Bonds together with accrued but unpaid interest have not been paid to the Bondholders within ten Business Days after notice has been given by Champion Sense or the Majority Bondholders (as the case may be) to the Company following the occurrence of an event of default, such outstanding amounts shall continue to bear interest at 15% per annum from the due day for payment thereof to the date of payment.

Financial covenants:

- (a) Debt to asset ratio: the Company must ensure that, in respect of any Measurement Period, the ratio of the total liabilities of the Company on the last day of that Measurement Period (as shown in its latest audited financial statements for the financial year or the unaudited financial statement for the interim period, whichever is the latest) to the total asset value of the Company in respect of that Measurement Period (as shown in its latest audited financial statements for the financial year or the unaudited financial statement for the interim period, whichever is the latest) does not exceed 65%.
- (b) Current ratio: the Company must ensure that, in respect of any Measurement Period, the ratio of the total current assets of the Company on the last day of that Measurement Period (as shown in its latest audited financial statements for the financial year or the unaudited financial statement for the interim period, whichever is the latest) to the total current liabilities of the Company in respect of that Measurement Period (as shown in its latest audited financial statements for the financial year or the unaudited financial statement for the interim period, whichever is the latest) does not fall below 100%.

Covenant on LTV Ratio:

The Company shall ensure that the LTV Ratio as of the Issue Date is less than 40%. For so long as any of the Revised Convertible Bonds remains outstanding, the Company shall ensure that the LTV Ratio will not be more than 40%.

If required by (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be), as soon as reasonably practicable after the Issue Date, the Company shall (a) open and maintain, or cause to be opened and maintained, in its own name as account holder, the Issuer Top Up Account; and (b) enter into the Issuer Account Charge.

In the event that the LTV Ratio is, at any time, higher than 50%, (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be) may at any time and at its/their sole discretion requiring the Company to transfer or procure the transfer of the Issuer Additional Collateral into the Issuer Top Up Account, and such Issuer Additional Collateral shall be subject to the security created by the Issuer Account Charge. Within five Business Days of delivery of an Issuer Top Up Notice, the Company shall ensure that the Issuer Additional Collateral has been deposited into the Issuer Top Up Account.

If at any time the LTV Ratio is 50% or higher, and the Company fails to restore the LTV Ratio to less than 40% within five Business Days of delivery of an Issuer Top Up Notice, (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be) shall (in addition and without prejudice to any other rights or remedies available to them) be entitled to enforce the security under the Issuer Account Charge subject to the terms and conditions thereof, so as to restore the LTV Ratio to less than 40%.

Transferability:

The Revised Convertible Bonds shall not be transferred without prior written consent of the Company, provided that the Revised Convertible Bonds may be transferred in whole or in part, without the consent of the Company, to any affiliate of Bondholder.

Listing: No application will be made for a listing of the Revised Convertible Bonds.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Security: The Revised Convertible Bonds are secured by the Chuang Yue Account Charge and the Additional Security Documents.

## **SPECIFIC MANDATE**

The allotment and issue of the Conversion Shares are subject to the granting of the Specific Mandate by the Shareholders. The Company will seek the approval of the Shareholders for, among other things, granting the Specific Mandate at the EGM.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER**

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started to set foot in financial services business, which can provide services such as listing sponsorship, underwriting and placing, dealing in securities, financing consultancy, merger and acquisition agency, financial advisory, asset management and private equity fund management. Since 2016, the Group has continued to diversify its business, with the mission of “Finance Empowers Education, Education Lights Up Future”, and established a trinitarians interactive business mode, which capitalises on educational operations as bases and educational management and financial service as cradles. The Group aspires to become “an influential financial services group focusing on education”.

For the six months ended 30 June 2021, the Group recorded a loss of approximately RMB208.1 million, which was mainly due to the unrealised (non-cash) loss arising from the unfavourable fair value changes of the financial assets measured at fair value through profit or loss and finance costs. As at 30 June 2021, (a) the Group’s net current liabilities amounted to approximately RMB944.2 million; (b) the Group’s cash and bank balances amounted to approximately RMB185.8 million; and (c) the Group’s total borrowings amounted to approximately RMB1,639.1 million.

The Company completed a top-up placing of Shares and a placing of Shares in June 2021 and November 2021, respectively, raising a total net proceeds of approximately HK\$50.4 million for repayment of outstanding debts and general working capital of the Group as disclosed in the section headed “Equity fund raising activities in the past twelve months period” of this announcement. The total net proceeds raised, together with the financial resources available to the Company, are not sufficient to fully repay the amount owing under the Original Convertible Bonds.

The Company has been in negotiation with Champion Sense for the reorganisation of the Original Convertible Bonds and proactively exploring financing alternatives for debt restructuring since the Original Maturity Date in December 2019. In light of the agreement of Champion Sense to apply for withdrawal of the Winding-up Petition within ten Business Days from the date on which Champion Sense received an aggregate amount of HK\$117.5 million (including repayment of principal amount and/or payment of consideration for the purchase of the Original Convertible Bonds), the reorganisation of the Original Convertible Bonds pursuant to the Framework Agreement would immediately alleviate the pressure on the Group's cashflows. In addition, the change of the maturity date of the Original Convertible Bonds to the Revised Maturity Date will enable the Company to postpone substantial cash outflow and allow the Group to have more financial flexibility in the deployment of its working capital for its business operations and development and/or repayment of other debts.

None of the Original Convertible Bonds had converted into Shares during the Original Conversion Period which has expired in 2019. On the Issue Date, the closing price of the Shares was HK\$14.15 (as adjusted by the Share Consolidation). From the effective date of the Share Consolidation of 20 August 2021 to the date of this announcement, the Shares have been traded between HK\$0.190 and HK\$0.300 per Share. The Original Conversion Price of HK\$16.35 (as adjusted by the Share Consolidation) represents 81.75 times to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange as of the Last Trading Day. The change from the Original Conversion Price to the Revised Conversion Price will provide incentive and thus enhance the possibility for the Bondholders to convert the Revised Convertible Bonds to Shares.

On the other hand, the purchase of the Convertible Bonds by Principal Global from Champion Sense pursuant to the CB Purchase Agreement, which constitutes part of the reorganisation of the Original Convertible Bonds, reflects its confidence in the Group's business and growth potential.

The terms and condition of the Framework Agreement and the transactions contemplated thereunder, including the Amendment and Restatement Agreement, have been arrived at after arm's length negotiations between the Company, Champion Sense and Principal Global. Having considered all relevant factors including the available financing alternatives to raise funds required for the repayment of the Group's outstanding borrowings and in light of the reasons and benefits as set out above, the Directors (including the independent non-executive Directors) consider that (a) the reorganisation of the Original Convertible Bonds pursuant to the Framework Agreement; and (b) the terms and conditions of the Framework Agreement and the transactions contemplated thereunder, including the Amendment and Restatement Agreement, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## INFORMATION ON THE PARTIES

Champion Sense is a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding. Champion Sense is indirectly owned as to 100% by Huarong Huaqiao Asset Management Co., Ltd.\* (華融華僑資產管理股份有限公司), which in turn is indirectly owned as to 91% by China Huarong Asset Management Co., Ltd.

Principal Global is a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding, and is owned as to 43% by Mr. Guo, 28% by Mr. Oh, 28% by Mr. Sea and 1% by Mr. Wang.

Chuang Yue is a private company incorporated in Hong Kong with limited liability and is owned as to 100% by Shenmane.D Co., Limited, which in turn is owned as to 100% by Golden Cloud Co., Limited, and which in turn is owned as to 100% by Mr. Liu Kun. Chuang Yue has charged 133,340,000 Shares in favour of Champion Sense under the Chuang Yue Share Charge. Mr. Sze Ka Wo was appointed as receiver over such 133,340,000 Shares on 25 May 2020 and holds these Shares in his capacity as receiver.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed in this announcement, each of Champion Sense, Principal Global, Chuang Yue and their respective beneficial owners is an Independent Third Party.

FC Fund is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

Rosser Investments is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

FC Financial Group is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

The equity fund raising activities conducted by the Company in the past twelve months immediately prior to the date of this announcement are set out below:

<b>Date of Announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds</b>	<b>Proposed use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
7 June 2021	Top-up placing of 227,000,000 Shares at the price of HK\$0.045 per Share	Approximately HK\$9.7 million	(i) approximately 95% for repayment of outstanding debts of the Group; and (ii) approximately 5% for general working capital of the Group	Approximately HK\$1.0 million had been applied for general working capital of the Group
5 November 2021	Placing of 201,061,600 Shares at the price of HK\$0.205 per Share	Approximately HK\$40.7 million	(i) approximately 80% for repayment of outstanding debts of the Group; and (ii) approximately 20% as general working capital of the Group	(i) approximately HK\$1.0 million had been applied for general working capital of the Group; and (ii) HK\$5.0 million had been applied for capital injection of FC International Finance

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the date of this announcement.



## CHANGE IN SHAREHOLDING STRUCTURE

Assuming there is no change in the share capital of the Company from the date of this announcement up to the Amendment Effective Date, the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after full conversion of the principal amount of HK\$770 million under the Revised Convertible Bonds are set forth below. Below figures are for illustration purpose only assuming the whole principal amount of HK\$770 million under the Revised Convertible Bonds are converted into Shares. As provided under the Amended and Restated Terms and Conditions, the public float of the Shares will not fall below 25% of the issued share capital of the Company and none of the holders of the Revised Convertible Bonds singly or in aggregate (if any of them are acting in concert pursuant to the Hong Kong Code on Takeovers and Mergers) will hold 30% or more of the issued share capital of the Company as a result of the conversion of the Revised Convertible Bonds.

	As at the date of this announcement		Immediately after full conversion of the principal amount of HK\$770 million under the Revised Convertible Bonds	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Chuang Yue ( <i>Note 1</i> )	133,340,000	9.91	133,340,000	2.45
Wealth Max Holdings Limited ( <i>Note 2</i> )	75,935,800	5.64	75,935,800	1.39
Other public Shareholders	1,135,924,200	84.45	1,135,924,200	20.88
Holders of the Revised Convertible Bonds	—	—	4,095,744,680	75.28
Total:	<u>1,345,200,000</u>	<u>100.00%</u>	<u>5,440,944,680</u>	<u>100.00%</u>

### Notes:

1. Chuang Yue has charged 133,340,000 Shares in favour of Champion Sense under the Chuang Yue Share Charge. Mr. Sze Ka Wo was appointed as receiver over these 133,340,000 Shares on 25 May 2020 and holds these Shares in his capacity as receiver.
2. Wealth Max Holdings Limited is owned as to 100% by Mr. Sea.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alternation in the terms and conditions of convertible debt securities after issue must be approved by the Stock Exchange, except where the alternation takes effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for approval of the Amendments contemplated under the Amendment and Restatement Agreement pursuant to Rule 28.05 of the Listing Rules.

## **EGM**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Amendment and Restatement Agreement and the transactions contemplated thereunder, including the Amended and Restated Terms and Conditions, and the grant of the Specific Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except (a) Mr. Sea, Mr. Wang and their respective associates, by virtue of Mr. Sea's and Mr. Wang's shareholding interest in Principal Global; and (b) Chuang Yue and its associates, by virtue of Chuang Yue being a party to the Amendment and Restatement Agreement, have material interests, no Shareholders is required to abstain from voting on the resolutions in relation to the Amendment and Restatement Agreement and the transactions contemplated thereunder, including the Amended and Restated Terms and Conditions, and the grant of the Specific Mandate.

Mr. Sea has abstained from voting in the meeting of the Board for approving the Framework Agreement and the transactions contemplated thereunder, including the Amended and Restated Agreement.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (a) further details of the Framework Agreement and the transactions contemplated thereunder including the Amendment and Restatement Agreement; (b) further details of the Specific Mandate; (c) a notice of the EGM, will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

## **GENERAL**

**The Amendments will only become effective after the satisfaction of the conditions precedent contained in the Amendment and Restatement Agreement. Accordingly, the reorganisation of the Original Convertible Bonds as contemplated under the Framework Agreement may or may not fully proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Additional Security Documents”	the additional security documents which are more particularly described in the section headed “Additional Security Documents” of this announcement
“Alternative Account Charge”	a deed of charge over the account in which such Replacement Charged Shares are deposited in favour of the Majority Bondholders (for itself and for the benefit of other Bondholders, if any)
“Amended and Restated Terms and Conditions”	the Terms and Conditions as amended and restated pursuant to the Amendment and Restatement Agreement
“Amendment and Restatement Agreement”	the Amendment and Restatement Agreement dated 13 January 2022 entered into between, among others, the Company and Champion Sense, details of which are set forth in the section headed “Amendment and Restatement Agreement” of this announcement
“Amendment Effective Date”	the date confirmed in writing by Champion Sense and the Company as the effective date of the Amendments
“Amendments”	amendments to the Terms and Conditions pursuant to the Amendment and Restatement Agreement
“Announcements”	the announcements of the Company dated 4 December 2017 and 14 December 2017, respectively, in relation to the issue of the Original Convertible Bonds
“Arranger”	Huarong International Securities Limited, a limited company incorporated under the laws of Hong Kong
“Board”	the board of Directors
“Bondholder(s)”	the person(s) in whose name a Convertible Bond is registered
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m. (Hong Kong time)) on which commercial banks are open for business in Hong Kong

“CB Purchase Agreement”	the Purchase Agreement dated 13 January 2022 in relation to the Convertible Bonds entered into between Champion Sense as vendor and Principal Global as purchaser, details of which are set forth in the section headed “CB Purchase Agreement” of this announcement
“Champion Sense”	Champion Sense Global Limited, which is more particularly described in the section headed “Information on the parties” of this announcement
“Chuang Yue”	Hongkong Chuang Yue Co., Limited, which is more particularly described in the section headed “Information on the parties” of this announcement
“Chuang Yue Account Charge”	the account charge dated 14 December 2017 entered into by Chuang Yue in favour of Champion Sense
“Company”	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Notice”	notice of conversion of the Convertible Bonds
“Conversion Shares”	the Shares to be issued by the Company upon conversion of each Convertible Bond or the Revised Convertible Bond (as the case may be)
“Convertible Bonds”	the Original Convertible Bonds or the Revised Convertible Bonds, as the case may be
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Amendment and Restatement Agreement and the transactions contemplated thereunder, including the Amended and Restated Terms and Conditions, and the grant of the Specific Mandate
“Eligible Securities”	such Hong Kong listed securities or other securities as Champion Sense or the Majority Bondholders (as the case may be) may approve
“FC Asset Management”	First Capital Asset Management Limited, an indirect wholly-owned subsidiary of the Company

“FC Financial Group”	First Capital Financial Group Limited, a direct wholly-owned subsidiary of the Company
“FC Fund”	First Capital Fund Management Company Limited* (首控基金管理有限公司), an indirect wholly-owned subsidiary of the Company)
“FC International Finance”	First Capital International Finance Limited, an indirect wholly-owned subsidiary of the Company
“FC Securities”	First Capital Securities Limited, an indirect wholly-owned subsidiary of the Company
“Fee Letter”	the agreement dated 4 December 2017 entered into between the Company and the Arranger
“Framework Agreement”	the Convertible Bonds Reorganisation Framework Agreement dated 13 January 2022 in relation to the reorganisation of the Original Convertible Bonds entered into between the Company, Champion Sense and Principal Global, details of which are set forth in the section headed “Framework Agreement” of this announcement
“Group”	the Company and its subsidiaries from time to time, and “Group Company” means any of them
“Guarantee”	the deed of guarantee dated 14 December 2017 entered into by the Guarantor in favour of Champion Sense
“Guarantor”	Mr. Tang Mingyang, former executive Director from 1 April 2016 to 29 March 2019
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“High Court”	The High Court of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Yang”	Hong Yang (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

“Intended Investors”	collectively, Mr. Guo, Mr. Oh, Mr. Sea and Mr. Wang
“Issue Date”	the date of issue of the Original Convertible Bonds, i.e., 14 December 2017
“Issuer Account Charge”	a deed of charge over the Issuer Top Up Account in favour of Champion Sense or the Majority Bondholders (as the case may be, and for itself and for the benefit of other Bondholders, if any)
“Issuer Additional Collateral”	Eligible Securities or cash in the amount specified in the Issuer Top Up Notice and deposited into the Issuer Top Up Account
“Issuer Top Up Account”	a securities account which may be opened and maintained by the Company with the Arranger (or such other bank or financial institution as Champion Sense or the Majority Bondholders (as the case may be) may specify in the Issuer Top Up Notice)
“Issuer Top Up Notice”	a notice delivered by (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be) at its/their sole discretion to the Company requiring the Company to transfer or procure the transfer of the Eligible Securities or cash in the amount specified by Champion Sense or the Majority Bondholders (as the case may be) in such notice into the Issuer Top Up Account, and such Eligible Securities or cash shall be subject to the security created by the Issuer Account Charge
“Last Trading Day”	13 January 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LTV Ratio”	<p>the ratio expressed as a percentage calculated for a particular day given by the following formula:</p> $\text{LTV Ratio} = A / (B + C + D) \times 100\%$ <p>Where:</p> <p>“A” is an amount equal to the total outstanding principal amount of the Revised Convertible Bonds on such day;</p> <p>“B” is the aggregate market value of the issued ordinary shares of the Company which are subject to the security created by the Chuang Yue Account Charge and/or the Alternative Account Charge, based on the 5-day average closing price of one issued ordinary share of the Company with reference to the daily quotation sheets published by the Stock Exchange for the five consecutive trading days of the Stock Exchange immediately preceding such day;</p> <p>“C” is the amount of cash balances standing to the credit of (i) the account under the Chuang Yue Account Charge, (ii) the account(s) which are subject to the security created by the Alternative Account Charge, and (iii) the Issuer Top Up Account, of such day; and</p> <p>“D” is the aggregate value of (i) the additional collateral under the Chuang Yue Account Charge deposited into and standing to the credit of the account under the Chuang Yue Account Charge, (ii) the collaterals subsequently delivered and charged pursuant to the Alternative Account Charge other than those expressed to be delivered and charged originally on the date of the Alternative Account Charge, and (iii) the Issuer Additional Collateral deposited into and standing to the credit of the Issuer Top Up Account and subject to the security created by the Chuang Yue Account Charge, the Alternative Account Charge and the Issuer Account Charge (as the case may be)</p>
“LTV Trigger Event”	<p>at any time the LTV Ratio is 50% or higher, and the Company fails to restore the LTV Ratio to less than 40% within five Business Days of delivery of an Issuer Top Up Notice</p>
“Majority Bondholders”	<p>at any time, any one or more holders holding the Convertible Bonds or being proxies or representatives in respect of Convertible Bonds and representing, in the aggregate, more than 50% of the aggregate principal amount of all Convertible Bonds then outstanding</p>



“Material Adverse Effect”	a material adverse effect on (a) the business, results, operations, property, condition (financial or otherwise) or prospects of any Obligor or Group Company as a whole; (b) the ability of any of the Obligors to perform its/his obligations or to consummate the transactions contemplated under the Transaction Documents to which it or he is a party; or (c) the validity or enforceability of any Transaction Documents or the rights or remedies of Champion Sense or the Arranger under the Transaction Documents
“Maturity Date”	the Original Maturity Date or the Revised Maturity Date, as the case may be
“Measurement Period”	a period of twelve months ending on the last day of each financial year and each financial half year of the Company
“Mr. Guo”	Mr. Guo Ce (郭策)
“Mr. Oh”	Mr. Oh Choon Gan (胡俊彦)
“Mr. Sea”	Dr. Wilson Sea, chairman of the Company, executive Director and brother-in-law of Mr. Wang
“Mr. Wang”	Dr. Wang Hui, the chief financial officer of the Company and brother-in-law of Mr. Sea
“Nanyang Cijan”	Nanyang Cijan Automobile Absorber Company Limited* (南陽漸減汽車減振器有限公司), an indirect non-wholly-owned subsidiary of the Company
“Obligor”	the Company, any provider of security under each Security Document and each party to a Transaction Document other than a Secured Party or the Arranger
“Original Conversion Period”	the period starting from the date on or after the first anniversary of the Issue Date to the close of business on the date falling ten Business Days prior to the Original Maturity Date (both days inclusive) or, if the Original Convertible Bonds shall have been called for redemption by the Company before the Original Maturity Date, then up to and including the close of business on a date no later than ten days prior to the date fixed for redemption thereof
“Original Conversion Price”	conversion price of HK\$3.27 per Share (before adjustment by the Share Consolidation) subject to adjustments set out in the Terms and Conditions

“Original Convertible Bonds”	the convertible bonds in the principal amount of HK\$800,000,000 issued by the Company and subscribed by Champion Sense on 14 December 2017
“Original Maturity Date”	the second anniversary of the Issue Date, i.e., 13 December 2019
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Amount Outstanding”	original principal amount of a Convertible Bond or a Revised Convertible Bond (as the case may be) less the aggregate amount of all principal amounts which had been redeemed or converted (for the avoidance of doubt, excluding any interest or premium) in respect of such Convertible Bond or Revised Convertible Bond (as the case may be) which shall have been paid
“Principal Global”	Principal Global Investment Limited, which is more particularly described in the section headed “Information on the parties” of this announcement
“Purchase Consideration”	total consideration of HK\$770,000,000 payable by Principal Global to Champion Sense for the purchase the Convertible Bonds together with all rights accrued thereon (including accrued interests and default interests) pursuant to the CB Purchase Agreement
“Relevant Event”	the occurrence of (a) the listing of the Shares on the Relevant Exchange is cancelled or withdrawn; or (b) the Company is delisted by the Relevant Exchange; or (c) approval from the Relevant Exchange with respect to listing of and dealing in the Shares arising from the conversion of the Convertible Bonds is revoked or cancelled; or (d) the Shares are suspended from trading on the Relevant Exchange for ten consecutive trading days; or (e) the Company is delayed, for whatsoever reason, in reporting its financial results and/or submitting its financial results to the Relevant Exchange
“Relevant Exchange”	at any time, in respect of the Shares, the Stock Exchange, or if the Shares are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in

“Replacement Charged Shares”	at least 133,340,000 Shares owned by a third party(ies) (other than Chuang Yue) designated by the Company which own no less than 133,340,000 Shares
“Revised Conversion Date”	means, in relation to the Revised Convertible Bonds, the date with effect from which the Revised Convertible Bonds are converted into the Shares following receipt by the Company of a notice given pursuant to and in accordance with the Amended and Restated Terms and Conditions
“Revised Conversion Price”	conversion price of HK\$0.188 per Conversion Share, subject to adjustments set out in the Amended and Restated Terms and Conditions
“Revised Convertible Bonds”	The Convertible Bonds as revised by the Amendment and Restatement Agreement
“Revised Maturity Date”	the date falling on the first anniversary of the Amendment Effective Date which, with written agreement of Champion Sense, may be extended to the date falling on the second anniversary of the Amendment Effective Date
“Rosser Investments”	Rosser Investments Limited, an indirect wholly-owned subsidiary of the Company
“Secured Party”	Champion Sense, each Bondholder, a receiver of the whole or any part of any asset subject to security pursuant to a Security Document or any delegate appointed by such aforementioned persons
“Security Documents”	the Chuang Yue Account Charge and any other documents evidencing or creating or expressed to evidence or create security over any asset to secure any obligation of any Obligor to Champion Sense under any of the Transaction Documents
“Share(s)”	(i) the ordinary share(s) of HK\$0.02 each in the issued and unissued share capital of the Company prior to the Share Consolidation became effective; or (ii) the ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company with effect from the Share Consolidation, as the case may be
“Share Consolidation”	the consolidation of every five issued and unissued Shares of HK\$0.02 each into one consolidated Share of HK\$0.10 each effective on 20 August 2021

“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Revised Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 4 December 2017 entered into between the Company, Champion Sense, the Guarantor and Chuang Yue in respect of the subscription and the issue of the Original Convertible Bonds
“Terms and Conditions”	the terms and conditions of the Original Convertible Bonds
“Transaction Documents”	each of the Subscription Agreement, the instrument of the Convertible Bonds, the Terms and Conditions or the Amended and Restated Terms and Conditions (as the case may be), any definitive certificate with respect to the Convertible Bonds, the Security Documents, any Fee Letter, the Framework Agreement, the CB Purchase Agreement, the Amendment and Restatement Agreement, and any other instrument, document, agreement or certificate ancillary to the transactions contemplated under the Subscription Agreement and any other related document signed by the Company and (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be) or is designated as such by the Company and (for so long as Champion Sense remains as a Bondholder) Champion Sense or (after and only after Champion Sense ceases to be a Bondholder) the Majority Bondholders (as the case may be)
“Winding-up Petition”	the winding-up petition filed by Champion Sense to the High Court for winding up of the Company
“Xishan School”	Fuqing Xishan School* (福清西山學校)
“Xinjiang Edukeys”	Xinjiang Edukeys International Education Services Co., Ltd.* (新疆中際育才教育諮詢有限公司), an indirect wholly-owned subsidiary of the Company

“Yinghua School”

Jinan Shijiyinghua Experiment School\* (濟南世紀英華實驗學校)

“%”

per cent

By order of the Board  
**China First Capital Group Limited**  
**Zhu Huanqiang**  
*Executive Director*

Hong Kong, 13 January 2022

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

\* *For identification purpose only*