
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China First Capital Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



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)

(1) REORGANISATION OF CONVERTIBLE BONDS DUE 2019 AND AMENDMENT OF THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS DUE 2019;

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



FIRST CAPITAL INTERNATIONAL FINANCE LIMITED

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

A notice convening the extraordinary general meeting of China First Capital Group Limited, to be held with a combination of an in-room meeting at Units 4501-02 & 12-13, 45/F, The Center, 99 Queen's Road Central, Hong Kong and an online virtual meeting via electronic facilities at 10:00 a.m. on Thursday, 12 May 2022 is set out on pages EGM-1 to EGM-5 of this circular.

A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.cfcg.com.hk). As set out in the section headed "Special Arrangements for the EGM" of this circular, the EGM will be conducted virtually via electronic means. As Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) will not be permitted to attend the EGM in person, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to vote at the EGM shall appoint the chairman of the EGM as their proxy by completing the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, 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 the EGM, i.e. Tuesday, 10 May 2022 at 10:00 a.m. (Hong Kong time), or any adjournment thereof (as the case may be).

21 April 2022

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SPECIAL ARRANGEMENTS FOR THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would be adapting the below arrangements for the EGM to minimise attendance in person, while still enabling Shareholders to vote and ask questions. Details of the special arrangements for the EGM are set out below.

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

The EGM will be a hybrid meeting. The EGM will be held with the minimum number of persons present as is required under the articles of association of the Company to form a quorate meeting, together with a limited number of other attendees to ensure the proper conduct of the meeting. The quorum will be formed by senior management members and/or senior staff members of the Company who are Shareholders and/or their proxies to maintain an internal grouping and minimise the continuing risks posed by the COVID-19 pandemic at the EGM.

Given the above reasons, **NO other Shareholder, proxy or corporate representative should attend the EGM in person.** Other than those in the quorum and the limited number of other attendees to ensure the proper conduct of the meeting, any other person who attempts to do so will be excluded and will not be permitted entry to the venue of the EGM.

The Company strongly encourages Shareholders to attend, participate and vote at the EGM via electronic means (the “**Virtual EGM**”). The Virtual EGM will be broadcasted from the EGM venue in Hong Kong (the “**EGM Venue**”).

Shareholders will be able to view and listen to the Virtual EGM through a live webcast from 10:00 a.m. until the completion of the EGM on Thursday, 12 May 2022 on a computer, tablet or any browser enabled device. Please follow the instructions on the landing page on how to access the webcast. Shareholders will need to complete the following steps to be able to access the live webcast of the Virtual EGM of the Company:

Accessing proceedings of the Virtual EGM By VooV meeting

For Shareholders who would like to view and listen to the Virtual EGM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:

- a) Full name;
- b) Registered address;
- c) Number of Shares held;
- d) Contact telephone number; and
- e) Email address,

no later than 10:00 a.m. on Tuesday, 10 May 2022 (forty-eight (48) hours before the time appointed for holding the Virtual EGM) to enable the Company to verify the Shareholders’ status.

SPECIAL ARRANGEMENTS FOR THE EGM

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to view and listen the Virtual EGM live webcast. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

Authenticated Shareholders will receive an email confirmation by Wednesday, 11 May 2022 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual EGM) which contains a link to join the live webcast of the Virtual EGM. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the Virtual EGM.

Vote by appointing the chairman of the EGM as your proxy

All resolutions at the EGM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the EGM by proxy. If you wish to vote on any resolution at the EGM, you must appoint the chairman of the EGM as your proxy to exercise your right to vote at the EGM in accordance with your instructions. If you appoint a person who is not the chairman of the EGM as your proxy, that person will not be permitted entry to the meeting and will not be able to exercise your vote.

The proxy form for use at the EGM is enclosed with this circular. The proxy form can be downloaded from the “Investor Relations – Announcement & Circulars” section of the Company’s website (https://www.cfcg.com.hk/en/ir_announce.php). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

The proxy form should be returned to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time for holding the EGM.

Questions from Shareholders

Shareholders may submit any questions they may have in advance in relation to any resolution set out in the Notice of EGM by 10:00 a.m. on Tuesday, 10 May 2022 (forty-eight (48) hours before the time appointed for holding the Virtual EGM) via email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 providing personal particulars as follows for verification purposes:

- a) Full name;
- b) Registered address;
- c) Number of Shares held;
- d) Contact telephone number; and
- e) Email address.

SPECIAL ARRANGEMENTS FOR THE EGM

Shareholders can also submit questions during the Virtual EGM through the webcast link provided.

The Board will arrange for as many of the questions asked to be answered as possible at the EGM.

The Company are closely monitoring the impact of the COVID-19 pandemic in Hong Kong. Should any changes be made to the EGM arrangements, the Company will notify Shareholders via an announcement posted on the Company's website (www.cfcg.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

Appointment of proxy by non-registered Shareholders: Non-registered Shareholders whose shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, as follows:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2980 1333
Facsimile: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Additional Security Documents”	the additional security documents which are more particularly described in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (A) Framework Agreement – Additional Security Documents” of this circular
“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 “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (C) Amendment and Restatement Agreement” of this circular
“Amendment Effective Date”	the date confirmed in writing by Champion Sense and the Company as the effective date of the Amendments, upon Champion Sense having received all of the conditions precedent documents
“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
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Edukeys”	Beijing Edukeys International Management Consulting Company Limited* (北京中際育才國際管理顧問有限公司), an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Beijing Talent”	Beijing Talent International Education Services Co., Ltd.* (北京中際英才國際管理顧問有限公司), an indirect wholly-owned subsidiary of the Company
“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 “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (B) CB Purchase Agreement” of this circular
“Chairman”	the chairman of the Board
“Champion Sense”	Champion Sense Global Limited, which is more particularly described in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – Information on the parties” of this circular
“China Huarong”	China Huarong Asset Management Co., Ltd., a company incorporated in the PRC with limited liability whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 2799
“Chuang Yue”	Hongkong Chuang Yue Co., Limited, which is more particularly described in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – Information on the parties” of this circular
“Chuang Yue Account Charge”	the account charge dated 14 December 2017 entered into by Chuang Yue in favour of Champion Sense
“Co-CEO”	the co-chief executive officer of the Company

DEFINITIONS

“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 with stock code of 1269
“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
“Convertible Bonds”	the Original Convertible Bonds or the Revised Convertible Bonds, as the case may be
“Director(s)”	director(s) of the Company
“Dr. Sea”	Dr. Wilson Sea, Chairman, executive Director and brother-in-law of Mr. Wang
“EGM”	the extraordinary general meeting of the Company to be convened and held at Units 4501–02 & 12–13, 45/F, The Center, 99 Queen’s Road Central, Hong Kong at 10:00 a.m. on Thursday, 12 May 2022, or where the context so admits, any adjournment thereof
“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

DEFINITIONS

“Fee Letter”	the agreement dated 4 December 2017 entered into between the Company and the Arranger, pursuant to which the Company has agreed to pay the Arranger, as arranger of the Original Convertible Bonds, an arrangement fee equal to 4.5% of the principal amount of the Original Convertible Bonds, i.e., HK\$36 million
“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 “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (A) Framework Agreement” of this circular
“Group”	the Company and its subsidiaries, 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 and the Original Convertible Bonds was secured by, among others, the Guarantor in accordance with the terms of the Guarantee
“Guarantor”	Mr. Tang Mingyang, former executive Director from 1 April 2016 to 29 March 2019
“HK\$”	Hong Kong dollar, 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
“Implementation Regulations”	the Implementation Regulations of the Private Education Promotion Law of the People’s Republic of China with effect from 1 September 2021
“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

DEFINITIONS

“Intended Investors”	collectively, Mr. Guo, Mr. Oh, Dr. 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 the announcement of the Company dated 13 January 2022 in relation to the reorganisation of the Original Convertible Bonds and amendment of the Terms and Conditions
“Latest Practicable Date”	19 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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>

DEFINITIONS

“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. Wang”	Dr. Wang Hui, the chief financial officer of the Company and brother-in-law of Dr. 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) and HK\$16.35 per Share (after the Share Consolidation became effective) subject to adjustments set out in the Terms and Conditions

DEFINITIONS

“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 circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Amount Outstanding”	original principal amount of a Convertible Bond 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 which shall have been paid
“Principal Global”	Principal Global Investment Limited, which is more particularly described in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – Information on the parties” of this circular
“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

DEFINITIONS

“Relevant Group Companies”	Rosser Investments, Hong Yang, FC Fund, Xinjiang Edukeys, FC Financial Group, FC Securities, FC International Finance, FC Asset Management, Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司), Beijing Edukeys, Beijing Talent, First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司), Zhengzhou Education Consultancy Co., Ltd.* (鄭州學際為用教育諮詢有限公司), Tianjin Talent Education Consultancy Co., Ltd.* (天津中際英才教育諮詢有限公司), Shenzhen Zhuochuang Education Co., Ltd.* (深圳灼創教育有限公司), Mega Perfect International Corporation and Merit Leader Investment Limited. Further information about the Relevant Group Companies are set out in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – Information on the parties” of this circular
“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 Period”	means, in relation to the Revised Convertible Bonds, 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)
“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
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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, including the Additional Security Documents
“Share Consolidation”	the consolidation of every five issued and unissued shares of the Company of HK\$0.02 each into one consolidated share of the Company of HK\$0.10 each effective on 20 August 2021
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Share(s)”	(i) the ordinary share(s) of HK\$0.02 each in the issued and unissued share capital of the Company prior to 20 August 2021; or (ii) the consolidated ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company with effect from 20 August 2021, as the case may be
“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
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“Terms and Conditions”	the terms and conditions of the Original Convertible Bonds

DEFINITIONS

“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)
“Wealth Max”	Wealth Max Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Dr. Sea
“Winding-up Petition”	the winding-up petition filed by Champion Sense to the High Court for winding up of the Company, which has been dismissed on 21 February 2022
“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
“Xishan School”	Fuqing Xishan School* (福清西山學校)
“Yinghua School”	Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)
“%”	per cent

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:

Dr. Wilson Sea (*Chairman*)

Mr. Zhao Zhijun (*Co-CEO*)

Dr. Zhu Huanqiang (*Co-CEO*)

Independent Non-executive Directors:

Mr. Chu Kin Wang, Peleus

Dr. Du Xiaotang

Mr. Loo Cheng Guan

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

21 April 2022

To the Shareholders

Dear Sir or Madam,

**(1) REORGANISATION OF CONVERTIBLE BONDS DUE 2019 AND
AMENDMENT OF THE TERMS AND CONDITIONS
OF CONVERTIBLE BONDS DUE 2019;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 13 January 2022, 11 March 2022 and 19 April 2022, in relation to the reorganisation of the Original Convertible Bonds and the amendment of the Terms and Conditions.

The purpose of this circular is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM for the approval of 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.

LETTER FROM THE BOARD

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

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, 15 October 2021 and 14 January 2022, 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.

There was no redemption of the Original Convertible Bonds on the Original Maturity Date by the Company 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 21 February 2022. The Winding-up Petition was heard on 21 February 2022 and the judge of the High Court has made an order to dismiss the Winding-up Petition on the same day.

As at the date of the Framework Agreement, the outstanding principal amount of the Original Convertible Bonds was HK\$770 million. As at the Latest Practicable Date, (a) the outstanding principal amount of the Original Convertible Bonds is HK\$740 million, of which HK\$652.5 million of the principal amount is held by Champion Sense and HK\$87.5 million is held by Principal Global; and (b) the accrued interests and default interests payable on the Original Convertible Bonds in aggregate are approximately HK\$262.0 million.

(A) Framework Agreement

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

- (a) The Company;
- (b) Champion Sense; and
- (c) Principal Global.

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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, Rosser Investments, Hong Yang, FC Fund, Xinjiang Edukeys and FC Financial Group, 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 redeeming part of the Original Convertible Bonds; and/or (ii) Principal Global paying the Purchase Consideration in accordance with the CB Purchase Agreement. Thus, Champion Sense shall receive HK\$117.5 million from the Company and/or Principal Global. As at the Latest Practicable Date, such amount payable to Champion Sense has been settled by (i) Principal Global as to HK\$87.5 million and (ii) the Company as to HK\$30 million. The Company financed such payment by using the net proceeds from the placing. The obligation of the Company and Principal Global has been fulfilled. As confirmed by Principal Global, there was an understanding from Principal Global that in the event that the Company cannot settle the repayment to Champion Sense in full, it would arrange payment for settlement of the outstanding amount.
5. The Amendments shall take effect on the Amendment Effective Date upon the fulfilment of paragraph 4 above and the other conditions precedent to the Amendment and Restatement Agreement. The Additional Security Documents, the CB Purchase Agreement and the transactions contemplated thereunder shall not be affected even if the Amendment and Restatement Agreement has not completed.
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. As at the date of the Latest Practicable Date, Champion Sense has received an aggregate amount of HK\$117.5 million and has applied for the withdrawal of the Winding-up Petition. The Winding-up Petition has been dismissed on 21 February 2022.

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Undertakings of the Company, the Relevant Group Companies and Principal Global

Each of the Company and Principal Global has undertaken to Champion Sense 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, the Company and the Relevant 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 Company and 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;
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;
5. save for written consent of all parties to the Framework Agreement is obtained, the Company and Principal Global will not engage in any action that may cause the arrangement agreed under the Framework Agreement cannot be performed and/or requires adjustment accordingly;
6. if the Company and Principal Global become aware of circumstances or events that may affect the implementation of the reorganisation under the Framework Agreement, they shall notify Champion Sense in writing in a timely manner, and under no circumstances shall they notify Champion Sense in writing more than three (3) business days after such circumstances or event arise;

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7. the Company and Principal Global will each bear all costs and expenses, and, with best endeavour, take all necessary actions to ensure that the reorganisation can be carried out in accordance with the Framework Agreement and other agreements, deeds or other documents entered into or executed pursuant to the Framework Agreement;
8. the Company and Principal Global understand and confirm that the arrangements relating to (i) the pledge by Rosser Investments and (ii) the pledge by FC Fund are protection measures to secure the repayment;
9. the Company and Principal Global acknowledge and agree that only the arrangements relating to (i) Rosser Investments pledging its interest in Hong Yang and (ii) FC Fund pledging its interest in Xinjiang Edukeys will not affect the intention and fact of the Company, Principal Global and Champion Sense in relation to the pledge of the underlying interest in Yinghua School and Xinjiang Edukeys and its subsidiaries, respectively; and
10. the Company will be responsible for fully indemnifying Champion Sense for all loss, damages, direct or indirect expenses, costs and fees caused or incurred due to breach of the Framework Agreement by the Relevant Group Companies, while Principal Global will be responsible for fully indemnifying Champion Sense for all loss, damages, direct or indirect expenses, costs and fees caused or incurred due to breach of the Framework Agreement by the Relevant Group Companies (if the Company fails to fully indemnify Champion Sense), Principal Global, the Intended Investors and their respective affiliates and/or concerted parties.

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 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 directed and paid by the Company to Champion Sense as payment of the Purchase Consideration. In such event, the Purchase Consideration payable by Principal Global to Champion Sense will be adjusted on a dollar-to-dollar basis. Principal Global has not given the same undertaking to Champion Sense. Given that Principal Global has agreed to charge the Convertible Bonds it purchased under the CB Purchase Agreement to Champion Sense, it is expected the Company can satisfy the above undertaking because Principal Global shall deliver all certificates of the Convertible Bonds to Champion Sense. In the absence of the certificates of the Convertible Bonds, the Company cannot process any conversion request of the Convertible Bonds. In light of the above, the Directors do not consider that there will be any conversion request from Principal Global without prior written consent of Champion Sense.

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There is no conditions precedent to the completion of the reorganisation of the Original Convertible Bonds under the Framework Agreement. The reorganisation of the Original Convertible Bonds is considered to be completed after Champion Sense ceases to be a Bondholder.

Additional Security Documents

The Company and certain Group Companies, for the purposes of providing additional security for the Convertible Bonds, have executed or 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 (comprising entities principally engaged in the business of education operation with (i) consolidated revenue of approximately RMB0.2 million for the year ended 31 December 2021, representing approximately 0.02% of the total revenue of the Group for the same period, (ii) consolidated total assets of approximately RMB0.4 million as at 31 December 2021, representing approximately 0.01% of the total assets of the Group as at 31 December 2021, and (iii) consolidated net liabilities of approximately RMB2.1 million as at 31 December 2021), which held ultimately control over Yinghua School through contractual arrangements before 1 September 2021;
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 (comprising companies principally engaged in the provision of education management and consultation business with (i) consolidated revenue of approximately RMB51.1 million for the year ended 31 December 2021, representing approximately 4.7% of the total revenue of the Group for the same period, (ii) consolidated total assets of approximately RMB148.9 million as at 31 December 2021, representing approximately 4.9% of the total assets of the Group as at 31 December 2021, and (iii) consolidated net assets of approximately RMB63.3 million as at 31 December 2021);
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 with shares of approximately RMB2.1 million as at 31 December 2021, representing approximately 0.1% of the total assets of the Group as at 31 December 2021;
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 with shares of approximately RMB31.1 million (representing approximately 1.0% of the total assets of the Group as at 31 December 2021) and negative margin balance of approximately RMB39.6 million as at 31 December 2021;

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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 (comprising companies principally engaged in the business of financial services with (i) consolidated revenue (inclusive of the revenue generated by FC Securities, FC International Finance and FC Asset Management) of approximately RMB28.9 million for the year ended 31 December 2021, representing approximately 2.6% of the total revenue of the Group for the same period, (ii) consolidated total assets of approximately RMB332.5 million as at 31 December 2021, representing approximately 10.9% of the total assets of the Group as at 31 December 2021, and (iii) consolidated net liabilities of approximately RMB59.2 million as at 31 December 2021). FC Financial Group 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 (a company principally engaged in dealing and underwriting in securities with (i) revenue of approximately RMB12.8 million for the year ended 31 December 2021, representing approximately 1.2% of the total revenue of the Group for the same period, (ii) total assets of approximately RMB303.0 million as at 31 December 2021, representing approximately 9.9% of the total assets of the Group as at 31 December 2021, and (iii) net assets of approximately RMB239.3 million as at 31 December 2021);
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 (a company principally engaged in the provision of financial advisory services with (i) revenue of approximately RMB3.6 million for the year ended 31 December 2021, representing approximately 0.3% of the total revenue of the Group for the same period, (ii) total assets of approximately RMB9.3 million as at 31 December 2021, representing approximately 0.3% of the total assets of the Group as at 31 December 2021, and (iii) net assets of approximately RMB7.4 million as at 31 December 2021);
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 (a company principally engaged in asset management with (i) consolidated revenue of approximately RMB12.5 million for the year ended 31 December 2021, representing approximately 1.1% of the total revenue of the Group for the same period, (ii) consolidated total assets of approximately RMB20.3 million as at 31 December 2021, representing approximately 0.7% of the total assets of the Group as at 31 December 2021, and (iii) consolidated net assets of approximately RMB1.1 million as at 31 December 2021);
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

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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.

Regarding all of the pledged entities above, (i) their aggregated and consolidated revenue for the year ended 31 December 2021 amounted to approximately RMB80.2 million, representing approximately 7.3% of the total revenue of the Group for the same period, (ii) their aggregated total assets amounted to approximately RMB515.0 million as at 31 December 2021, representing approximately 16.9% of the total assets of the Group as at the same date, and (iii) their aggregated net liabilities amounted to approximately RMB4.4 million as at 31 December 2021. Given that FC Securities, FC International Finance and FC Asset Management are subsidiaries of FC Financial Group, the financial statements of FC Securities, FC International Finance and FC Asset Management are consolidated into that of FC Financial Group.

Xishan School's revenue amounted to approximately RMB106.0 million for the eight months ended 31 August 2021 and its total assets and net assets amounted to approximately RMB545.6 million and RMB123.4 million as at 31 August 2021, respectively. Xishan School was deconsolidated from the consolidated financial statement of the Company starting from 1 September 2021.

Yinghua School's revenue amounted to approximately RMB54.2 million for the eight months ended 31 August 2021 and its total assets and net assets amounted to approximately RMB178.7 million and RMB87.6 million as at 31 August 2021, respectively. Yinghua School was deconsolidated from the consolidated financial statement of the Company starting from 1 September 2021.

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Nanyang Cijan's revenue amounted to approximately RMB1,014.7 million for the year ended 31 December 2021, representing approximately 92.8% of the total revenue of the Group for the same period, its total assets is approximately RMB1,747.1 million as at 31 December 2021, representing approximately 57.2% of the total assets of the Group as at the same date, and its net assets is approximately RMB26.8 million as at 31 December 2021.

The above financial information of Hong Yang, Xinjiang Edukeys, FC Financial Group, FC Securities, FC International Finance, FC Asset Management, Xishan School, Yinghua School and Nanyang Cijan are derived from the management accounts of these companies and have not been audited or reviewed by the auditors of the Group, and may be subject to adjustments if audited and reviewed. For the avoidance of confusion, the aggregate revenue of the same (with exclusion of those of Xishan School and Yinghua School) set out above exceeding the revenue of the Group for the year ended 31 December 2021 is caused by presentation of the accounts of the Group being consolidated with consideration of intra-group transactions.

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). The Winding-up Petition has been withdrawn and, thus, the security documents referred to in paragraphs 3, 4 and 5 above have taken effect on 21 February 2022. For avoidance of doubt, the other Additional Security Documents took effect on 1 December 2021.

Inclusion of the Additional Security Documents is a result of negotiation among the parties and the presence of which incentivised Champion Sense to participate in the reorganisation of the Original Convertible Bonds and, the most important, to withdraw the Winding-up Petition. The Winding-up Petition had a significant impact on the Company's daily operation and business expansion and development of the Group. It also limited any dealing of assets held directly by the Company. Therefore, the Directors are of the view that the withdrawal of the Winding-up Petition is essential and is in the interests of the Company and the Shareholders as a whole. Having considered the above, notwithstanding the significant contribution of Hong Yang, Xinjiang Edukeys, FC Financial Group, FC Securities, FC International Finance, FC Asset Management, Xishan School, Yinghua School and Nanyang Cijan in terms of assets and revenue to the Group, the Board is of the view that execution of the Additional Security Documents is fair and reasonable and in the interest of the Company and Shareholders as a whole.

The security under the Security Documents shall secure all obligations and liabilities of the Company under the Convertible Bonds. Thus, the security will be released immediately upon full settlement of the principal amount and interest of the Convertible Bonds by the Company to the holders on or before the Maturity Date. Given that the term of the Convertible Bonds is only two-year, there is no partial release of security before the Maturity Date and any release of security may require independent valuation on the value of the security to be agreed between the Company and holders of the Convertible Bonds. Having considered the time and cost involved in the independent valuation and the term of the Convertible Bonds of two-year, the Directors are of the view that the release of security after settlement by the Company in full is fair and reasonable and in the interests of the Company and its shareholders as a whole.

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As disclosed in the announcement of the Company dated 23 February 2022, as affected by the Implementation Regulations, the Group lost control over (i) Xishan Schools Group (comprising Xishan School, Jiangxi Xishan School* (江西省西山學校), Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Xishan Education Group* (西山教育集團), Jinxian Xishan Youth Football Club* (進賢縣西山青少年足球俱樂部), Fuqing Guowen Education Management Company Limited* (福清市國文教育管理有限公司), Jinxian Xishan Education Management Company Limited* (進賢縣西山教育管理有限公司) and Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司)) and (ii) Yinghua School Group (comprising Yinghua School and Jinan Baofei Enterprise Management Company Limited* (濟南寶飛企業管理有限公司)) (the “**Affected Entities**”) on 31 August 2021. The Affected Entities are primarily engaged in the provision of compulsory education services, preschool education services and other related education services in the PRC. They were deconsolidated from the consolidated financial statement of the Company starting from 1 September 2021. For further details, please refer to the announcement of the Company dated 23 February 2022. The share charge of Hong Yang and the deed of undertaking and indemnity of the Company concerning Yinghua School and Xishan School (being part of the Affected Entities) were entered by the parties in December 2021. The Company decided to deconsolidate the Affected Entities in or around February 2022 after having considered the advice from the Company’s PRC legal adviser and having discussed with the Company’s auditors. The decision of the Company on deconsolidation was made after the relevant share charge and the deed of undertaking and indemnity were entered by the Group. Due to the Implementation Regulations, Yinghua School and Xishan School are not consolidated from the Company’s consolidated financial statements. The Group will closely monitor the development of the Implementation Regulations, including the applicability of the Implementation Regulations and its impact on the Group. Having considered that (i) the Group has not entered into any agreement to dispose any of these schools, (ii) these schools are deconsolidated from an accounting perspective and (iii) there are no potential buyers for the Affected Entities, the Directors are of the view that there is no disposal of interest in Yinghua School and Xishan School. As at the Latest Practicable Date, (i) there is no creation of security interest nor disposal of interest in Yinghua School and Xishan School, (ii) there is no additional charge created in favour of Champion Sense due to the deconsolidation, (iii) Champion Sense has not indicated to the Company that additional charge or penalty would be required from the Company following the deconsolidation of Yinghua School and Xishan School and (iv) the Implementation Regulations have not affected the relevant charge created in favour of Champion Sense.

Given that Xinjiang Edukeys is primarily engaged in the development, operation and management of international education business and the provision of education consultancy services, it is not affected by the Implementation Regulations.

(B) CB Purchase Agreement

Date

13 January 2022

Parties

(a) Champion Sense as vendor; and

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(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
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
6.	Total:	<u>770.0</u>

As at the Latest Practicable Date, Principal Global (i) had paid HK\$37.5 million to Champion Sense as earnest money, which has been applied to satisfy the Purchase Consideration payable at stage 1 above, and (ii) has paid HK\$50.0 million to Champion Sense to satisfy the Purchase Consideration payable at stage 2 above. In summary, Principal Global is the beneficial owner of Convertible Bonds of the principal amount of RMB87.5 million. Immediately following the signing and exchange of necessary title documents, Principal Global will have the legal title of such Convertible Bonds. Due to travel restrictions and quarantine measures, there is a delay in signing and exchange of documents by the parties. It is expected that the signing and exchange of necessary title documents will be completed before the date of EGM and, upon the receipt of certificate of the Convertible Bonds, Principal Global will immediately deliver the same and pledge the Convertible Bonds to Champion Sense as soon as practicable.

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, at any time before the final purchase by Principal Global. If Champion Sense retains principal amount of the Convertible Bonds, the Purchase Consideration payable at stage 5 above shall be reduced on a dollar-to-dollar basis.

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.

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The Convertible Bonds to be purchased by Principal Global is a secured instrument. Upon Principal Global purchases all the Convertible Bonds from Champion Sense, the Additional Security Documents will be transferred to Principal Global. The Chuang Yue Account Charge and the Guarantee will be released pursuant to the Amendment and Restatement Agreement. Should Champion Sense retains any Convertible Bonds and has not exercised the conversion right in full, the Additional Security Documents will not be transferred to Principal Global. At the time when Champion Sense does not hold any Convertible Bonds or after Champion Sense exercises the conversion rights in full if it retains any Convertible Bonds, the Additional Security Documents will be transferred to Principal Global.

In relation to the release and transfer of security, Champion Sense shall execute a deed of release (or other equivalent document) to release the Chuang Yue Account Charge, Additional Security Documents and the Alternative Account Charge (if any) and Principal Global shall execute a new set of the Additional Security Documents and the Alternative Account Charge (if any) to effect the transfer of security.

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 subordinate 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, and the security created in favour of Champion Sense shall be released when Champion Sense cease to hold any Convertible Bonds. If Champion Sense retains any of the Convertible Bonds, the Purchase Consideration payable at stage 5 above shall be reduced on a dollar-to-dollar basis and the security created in favour of Champion Sense shall be released after the payment of the adjusted Purchase Consideration at stage 5. If Champion Sense does not retain the Convertible Bonds, the security created in favour of Champion Sense shall be released after the payment of the Purchase Consideration at stage 5. Upon the release of charge of Principal Global, Champion Sense will return the certificates of the Convertible Bonds to Principal Global immediately after the settlement of the Purchase Consideration at stage 5.

(C) Amendment and Restatement Agreement

Date

13 January 2022

Parties

- (a) The Company, as issuer;
- (b) Champion Sense, as initial Bondholder and Majority Bondholder;

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- (c) Chuang Yue, as security provider and covenantors;
- (d) FC Fund, as security provider and covenantors;
- (e) Rosser Investments, as security provider and covenantors; and
- (f) 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:

1. the change of the Original Maturity Date (i.e. 13 December 2019) to the Revised Maturity Date (being 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);
2. the change of the Original Conversion Price (i.e. HK\$16.35 per Conversion Share) to the Revised Conversion Price (i.e. HK\$0.188 per Conversion Share);
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 (being the Terms and Conditions, which were originally guaranteed by the Guarantor). In connection with such release, Champion Sense, Principal Global and the Guarantor entered into the Deed of Settlement. For details, please refer to the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (D) Deed of Settlement” in this circular;
4. the entry into the Alternative Account Charge, and the release of all or part of the Shares which are subject to the security created by the Chuang Yue Account Charge;
5. the revision of the Terms and Conditions reflecting the exclusion of the Guarantor and the inclusion of (a) Champion Sense and Principal Global as holders of the Convertible Bonds and (b) the Additional Security Documents to secure the obligations and liabilities of the Company under the Convertible Bonds from the context;
6. the revision of the calculation of LTV ratio to include the collaterals charged under the Alternative Account Charge; and
7. the inclusion of an additional way to waive or authorise any breach by the Company of the Amended and Restated Terms and Conditions by signing written confirmation by Champion Sense. Under the Terms and Conditions of the Original Convertible Bonds, waiver or authorisation of any breach by the Company may only be effected by a resolution of the Majority Bondholder.

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For details of the principal terms and conditions of the Revised Convertible Bonds, please refer to the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (C) Amendment and Restatement Agreement – Amended and Restated Terms and Conditions” below. Save for the above, there are no other changes to the Terms and Conditions. The Revised Convertible Bonds will have the benefit of the security constituted by the Chuang Yue Account Charge, the Additional Security Documents and the Alternative Account Charge (if any alternative account charge is created in favour of the holder(s) of the Revised Convertible Bonds), as mentioned in the section headed “Reorganisation of convertible bonds due 2019 and amendment of the terms and conditions of convertible bonds due 2019 – (A) Framework Agreement – Undertakings of the Company, the Relevant Group Companies and Principal Global” in this circular. As at the Latest Practicable Date, no Alternative Account Charge has been created.

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;

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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 government authorities). These approvals include the approval of the directors and/or the shareholder(s) of each of Chuang Yue, FC Fund, Rosser Investments and FC Financial Group on entry into the Amendment and Restatement Agreement. No other approval from any governmental or regulatory authorities is required.

None of the above conditions can be waived by Champion Sense or the Company. As at the Latest Practicable Date, conditions 1, 2, 3, 6, 8 and 9 above have been fulfilled.

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 (the “**Long Stop Date**”) 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 not affect the rights of its parties against each other for any breach of the agreement or liability accrued prior to such termination; and
3. the transaction documents (such as the Terms and Conditions, the Chuang Yue Account Charge and other documents evidencing or creating security over any asset to secure the obligations and liabilities under each transaction document in relation to the Original Convertible Bonds, and each guarantee or indemnity in the Original Convertible Bonds) shall continue in full force and effect without incorporating the Amendments.

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On 19 April 2022, Champion Sense has notified the Company that the Long Stop Date is extended to 13 May 2022 or such a later date as Champion Sense may specify and notify to the Company.

Security

The Revised Convertible Bonds will have the benefit of the security constituted by the Chuang Yue Account Charge, the Additional Security Documents and the Alternative Account Charge (if any).

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 granting 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.

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Amended and Restated 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:	<p>The Revised Convertible Bonds shall bear interest on the outstanding principal amount of the Revised Convertible Bonds from and including the Issue Date (i.e. 14 December 2017) 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. The interest rates set out herein were determined, after arm's length negotiation among the parties, by reference to the financing cost of Champion Sense and the prevailing market rate of interest of similar convertible debts of listed issuers ranging from 2.5% to 13.0% and the market rate of 8% was commonly adopted at the material time. In light of the above, the Directors consider the interest rates to be fair and reasonable.</p>
Conversion:	<p>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.</p>

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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\$740 million under the Revised Convertible Bonds as at the Latest Practicable Date are exercised in full at the Revised Conversion Price of HK\$0.188, 3,936,170,212 Conversion Shares will fall to be issued to the Bondholder(s), representing approximately 292.61% of the issued share capital of the Company as at the Latest Practicable Date and approximately 74.53% of the issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares.

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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;
- (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;
- (d) a discount of approximately 17.54% to the net asset value per Share of approximately HK\$0.228 based on the latest audited results of the Group as at 31 December 2020;
- (e) a premium of approximately 1,346.15% to the net asset value per Share of approximately HK\$0.013 based on the latest published interim results of the Group as at 30 June 2021;

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- (f) a discount of approximately 29.06% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the date when the revised Long Stop Date is determined on 19 April 2022;
- (g) a discount of approximately 28.52% to the average closing price of HK\$0.263 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to the date when the revised Long Stop Date is determined on 19 April 2022; and
- (h) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.24%, representing by the theoretical diluted price of approximately HK\$0.192 per Share to the benchmarked price of HK\$0.205 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.200 per Share and the average closing price of the Share as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of HK\$0.205 per Share).

After having considered (i) the benefits of the Amendments as set out in this circular, (ii) the financial difficulties of the Company in fulfilling its payment obligations and (iii) the prevailing market price of the Shares on the Last Trading Day, the Directors are of the view that the Revised Conversion Price, despite representing a discount of approximately 17.54% to the net asset value per Share as at 31 December 2020, is still fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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:

- (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);

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- (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;

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- (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; and
- (i) any other adjustment that should be made to the Conversion Price as a result of events or circumstances not mentioned above upon consultation with an independent investment bank.

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.

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- (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.

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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.

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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 Issue 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 Issue 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%.

Given that the inclusion of the Additional Security Documents is a result of negotiation among the parties and the presence of which incentivise Champion sense to participate in the reorganisation of the Original Convertible Bonds and to withdraw the Winding-up Petition, they are not included as the denominator in calculating the LTV Ratio. Moreover, the LTV Ratio is calculated with reference to the market value of the relevant securities available in the stock market. Such ratio can be calculated on a daily basis. The securities under the Additional Security Documents have no market value and the fair value of such securities are determined based on independent valuation, which incur additional costs on part of the Company, and negotiations between the parties on the valuation may be substantial. Thus, it may not be feasible and efficient to use these securities as the denominator in calculating the LTV Ratio. In light of the above, the Board is of the view that the exclusion of which is fair and reasonable and in the interest of the Company and the Shareholders as a whole in this regard.

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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:	<p>No application will be made for a listing of the Revised Convertible Bonds.</p> <p>Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.</p>
Security:	The Revised Convertible Bonds are secured by the Chuang Yue Account Charge, the Additional Security Documents and the Alternative Account Charge (if any).

(D) 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 the later of:

- (a) 1 June 2022; and
- (b) the day immediately after the Amendment Effective Date, if the Amendment Effective Date takes place after 1 June 2022,

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 before 1 June 2022.

The Additional Security Documents, the CB Purchase Agreement, the Amendments and the Deed of Settlement are not inter-conditional to each other. However, in the event that the Amendment and Restatement Agreement is terminated, the Deed of Settlement will be terminated but the Framework Agreement, the Additional Security Documents and the CB Purchase Agreement will not be terminated. In such event, Principal Global shall purchase the Original Convertible Bonds pursuant to the CB Purchase Agreement and the Additional Security Documents are still valid. Until Champion Sense ceases to hold any Original Convertible Bonds, the Additional Security Documents will be released.

Specific Mandate

The Conversions Shares will be allotted and issued pursuant to the Specific Mandate which is subject to approval of the Shareholders (other than Dr. Sea, Mr. Wang, Chuang Yue and their respective associates) at the EGM.

LETTER FROM THE BOARD

Use of Proceeds

The Company has already applied the proceeds from the issue of the Original Convertible Bonds in the principal amount of HK\$800,000,000, with the net proceeds being approximately HK\$751.0 million, out of which approximately 92.0% were used as intended as disclosed in the announcement of the Company dated 4 December 2017, for the development of the Group's 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 licences, and expansion of the scope and scale of service of its existing financial service business, while approximately 8.0% were used as general working capital. The use of net proceeds changed as the Group has identified no further investment opportunities by late 2018 and decided that the residual would be put in better use as general working capital.

Below is a breakdown of the actual use of net proceeds:

Usage	Amount used (approximately HK\$' million)	Percentage use (approximately)
Further investment in educational institutions and projects	509.0	67.8%
Launch of educational consultancy and management services	45.9	6.1%
Acquisition of overseas financial service licences	9.9	1.3%
Expansion of the scope and scale of service of existing financial service business	126.0	16.8%
General working capital	60.2	8.0%
Total	751.0	100.0%

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".

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As disclosed in the Company's annual result announcement for the year ended 31 December 2021, for the year ended 31 December 2021, the Group recorded a loss from continuing operations of approximately RMB885.6 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 31 December 2021, (a) the Group's net current liabilities amounted to approximately RMB1,238.8 million; (b) the Group's cash and bank balances amounted to approximately RMB220.4 million; and (c) the Group's total borrowings amounted to approximately RMB1,551.3 million and borrowings due within one year amounted to approximately RMB1,077.7 million.

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 cashflow. 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 identifying other means for the repayment of other debts.

None of the Original Convertible Bonds had converted into Shares during the Original Conversion Period which 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 Last Trading Day, 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 is one of the terms of the Original Convertible Bonds revised under the Amendment and Restatement Agreement, which enables the Company to reorganise the Original Convertible Bonds with a view to relieving the Company from the Winding-up Petition, and the Revised Conversion Price will provide incentive and thus enhance the possibility for the Bondholders to convert the Revised Convertible Bonds to Shares thus enabling the Group to retain cash for its business operations and development.

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Upon exercising the conversion rights attaching to the Original Convertible Bonds in full and assuming that there is no change to the number of shares of the Company after the Latest Practicable Date, there would be 47,094,801 Conversion Shares, representing approximately 3.50% of the issued share capital of the Company as at the Latest Practicable Date and approximately 3.38% of the issued share capital of the Company then as enlarged by such issue. Upon exercising the conversion rights attaching to the Revised Convertible Bonds in full and assuming that there is no change to the number of shares of the Company after the Latest Practicable Date, there would be 4,095,744,680 Conversion Shares, representing approximately 304.47% of the issued share capital of the Company as at the Latest Practicable Date and approximately 75.28% of the issued share capital of the Company as enlarged by such issue. Such significant increase in number of issuable Conversion Shares is a result of the change from the Original Conversion Price to the Revised Conversion Price. Having considered the following factors:

1. the Revised Conversion Price is determined with reference to, among other things, the prevailing market price of the Shares on the Last Trading Day when the Amendment and Restatement Agreement was entered into;
2. the financial difficulties of the Company in fulfilling its repayment obligations towards the Original Convertible Bonds and other borrowings;
3. the significant increase in number of issuable Conversion Shares is a result of the change from the Original Conversion Price to the Revised Conversion Price, which is determined with reference to the prevailing market price;
4. the conversion of the Revised Convertible Bonds would benefit the Company by relieving the Company from the Winding-up Petition, retaining cash for the Group's business operations and development, significantly reducing the amount of liabilities and hence improving the indebtedness position and gearing ratio of the Company; and
5. upon conversion of the Revised Convertible Bond, the shareholders base of the Company will be expanded and the Company will be benefited by the connection of the holders of the Revised Convertible Bonds and their contribution as Shareholders,

the Board considers that the benefit outweighs the dilution effect of the conversion of the Revised Convertible Bonds and the Amendments are fair and reasonable and in the interest of the Company and the Shareholders as a whole despite the significant increased number of Conversion Shares and the dilution effect on the Shareholders' percentage interest in the Company.

Furthermore, there is sufficient protection to the independent Shareholders as (a) Dr. Sea, Mr. Wang and their respective associates, by virtue of Dr. 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, are considered to have material interest and are required to abstain from voting in respect of the resolution to be proposed to approve the Amendment and Restatement Agreement.

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.

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Inclusion of the Additional Security Documents is a result of negotiation among the parties and the presence of which incentivise Champion Sense to participate in the reorganisation of the Original Convertible Bonds and to withdraw the Winding-up Petition. The provision of the Additional Security Documents will provide comfort as security to the Bondholders of the Revised Convertible Bonds giving them confidence on holding of the Revised Convertible Bonds prior to maturity or conversion of the Revised Convertible Bonds. Having considered the above, the Board is of the view that execution of the Additional Security Documents is fair and reasonable and in the interest of the Company and Shareholders as a whole.

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, which is mainly engaged in asset management business and is controlled by the Ministry of Finance of the PRC.

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 (i) 43% by Mr. Guo, (ii) 28% by Mr. Oh, (iii) 28% by Dr. Sea and (iv) 1% by Mr. Wang. Mr. Oh served as the chief executive officer of CFCG Investment Partners International (Singapore) Pte. Ltd., which is an insignificant subsidiary of the Company, since July 2019. It is principally engaged in investment holding. The Group currently only maintains minimal operation in Singapore. Mr. Oh is primarily responsible for liaison on behalf of the Company as and when necessary. Mr. Oh operates his own business in Singapore and is the managing director of a business advisory company specialising in initial public offering, mergers and acquisitions and private equity investment. He is also a fellow member of the Chartered Association of Certified Accountants and a member of the Institute of Singapore Chartered Accountants. Mr. Guo served as a director of First Capital Dingge Investment Management (Shenzhen) Co. Ltd.* (首控鼎革投資管理(深圳)有限公司), which is an insignificant subsidiary of the Company, since October 2021. It is currently inactive and has no operation. It may explore investment or cooperation opportunities in the future and may engage in the provision of training opportunities to vocational education students when opportunities arise. Mr. Guo operates his own manufacture business and immigration consultancy business in the PRC. He possess substantial working experience in the financial and investment industries and served various securities companies and investment companies in the PRC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, each of Mr. Oh and Mr. Guo is not a connected person and has no past or current business

LETTER FROM THE BOARD

or other relationship with the Company, Champion Sense and their respective connected persons. Save for Dr. Sea, each of the ultimate beneficial owners of Principal Global is not a connected person.

Chuang Yue is a private company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. It 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, an Independent Third Party. Chuang Yue has charged 133,340,000 Shares in favour of Champion Sense under the Chuang Yue Account 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. The Guarantor, Mr. Tang Mingyang, a former executive Director, is a former ultimate beneficial owner of Chuang Yue. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is no current relation between the Guarantor and Chuang Yue. At the time when the Original Convertible Bonds was issued, Mr. Tang Mingyang was the substantial Shareholder through his interest in Chuang Yue, which was interested in 804,360,000 Shares, representing approximately 16.84% of the issued Shares at the date of the Subscription Agreement. Thus, Chuang Yue, as the substantial Shareholder, entered into the Chuang Yue Account Charge in favour of Champion Sense.

The Arranger is a company incorporated in Hong Kong with limited liability and is a subsidiary of Huarong International Financial Holdings Limited (stock code: 993), a company listed on the Stock Exchange, which is mainly engaged in financial business and is controlled by China Huarong. It is principally engaged in securities and futures contracts broking and trading and provision of margin financing. There has been no change of arranger and no additional fee letter has been entered into for the Revised Convertible Bonds.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed in this circular (Dr. Sea, being an executive Director, and Mr. Wang, being chief financial officer of the Company and brother-in-law of Dr. Sea, in particular), each of Champion Sense, Chuang Yue, the Arranger 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. It is principally engaged in private equity fund management.

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

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

FC Securities is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by FC Financial Group). It is principally engaged in dealing and underwriting in securities.

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FC International Finance is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by FC Financial Group). It is principally engaged in the provision of financial advisory services.

FC Asset Management is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by FC Financial Group). It is principally engaged in asset management.

Hong Yang is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Rosser Investments). It is principally engaged in investment holding.

Xinjiang Edukeys is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by FC Fund). It is principally engaged in the business of education management and consultation.

Jinan First Capital Education Consulting Company Limited* (濟南首控教育諮詢有限公司) is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Hong Yang). It is principally engaged in provision of educational advisory services.

Beijing Edukeys is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Xinjiang Edukeys). It is principally engaged in the business of education management and consultation.

Beijing Talent is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Xinjiang Edukeys). It is principally engaged in the business of overseas study consultation.

First Capital (Shenzhen) Equity Investment Fund Management Company Limited* (首控(深圳)股權投資基金管理有限公司) is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by FC Asset Management). It is principally engaged in the business of private equity fund management.

Zhengzhou Education Consultancy Co., Ltd.* (鄭州學際為用教育諮詢有限公司) is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Beijing Edukeys). It is principally engaged in the business of education management and consultation.

Tianjin Talent Education Consultancy Co., Ltd.* (天津中際英才教育諮詢有限公司) is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company (being wholly-owned by Beijing Talent). It is principally engaged in the business of overseas study consultation.

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Shenzhen Zhuochuang Education Co., Ltd.* (深圳灼創教育有限公司) (“**Zhuochuang Education**”) is a company incorporated in the PRC with limited liability. It is owned as to 28% by Mr. Wang, and as to 72% by Mr. Zhang Liang, an Independent Third Party. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, it is an Independent Third Party. It is the ultimate holding company of the school sponsors of Xishan School and Yinghua School. It is principally engaged in investment holding.

Mega Perfect International Corporation is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Merit Leader Investment Limited is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Nanyang Cijan is a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. It is indirect non-wholly owned by Merit Leader Investment Limited. It is principally engaged in the research and development, manufacturing and sales of automobile absorbers.

Xishan School is a school established in the PRC. It is principally engaged in the provision of preschool, primary, middle, high school services. Xishan School is held by Fuqing Guowen Education Management Company Limited* (福清市國文教育管理有限公司), which is in turn held by Fuzhou Xishan Education Management Company Limited* (福州市西山教育管理有限公司) (“**Xishan Education**”). The registered shareholders of Xishan Education are Zhuochuang Education, Mr. Zhang Wenbin and Mr. Lin Bingguo, which held 53.3%, 23.35% and 23.35% equity interest in Xishan Education, respectively. In light of the foreign investment restrictions in the primary and middle schools and preschool and high school education business in the PRC, the Group entered into contractual arrangements with, among others, Fuzhou Quanyue Education Consulting Company Limited* (福州全悅教育諮詢有限公司) (being indirect non-wholly owned by Mega Perfect International Corporation), Xishan Education, the registered shareholders of Xishan Education and Xishan School. Through such contractual arrangements, the Group exercises control over Xishan School and its financial results, the economic benefits and risks of the business flow to the Group. As disclosed in the announcement of the Company dated 23 February 2022, the Directors are of the view that (i) the Group lost control over certain affected entities, including Xishan School, on 31 August 2021, (ii) these affected entities were deconsolidated from the consolidated financial statements of the Company starting from 1 September 2021, and (iii) all the assets and liabilities of these affected entities as of 31 August 2021 and the income and profits derived from these affected entities after 1 September 2021 would not belong to the Group due to implementation of the Implementation Regulations on 1 September 2021.

Save for disclosed herein, each of the Relevant Group Companies, Xishan School, Nanyang Cijan and the companies pledged under the Additional Security Documents numbered 1 to 8 set out above do not have any shareholding relationships with each other.

LETTER FROM THE BOARD

Change in Shareholding Structure

Assuming there is no change in the share capital of the Company from the Latest Practicable Date up to the Amendment Effective Date, the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after full conversion of the principal amount of HK\$740 million as at the Latest Practicable Date under the Revised Convertible Bonds are set forth below. Below figures are for illustration purpose only assuming the whole principal amount of HK\$740 million as at the Latest Practicable Date 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.

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the principal amount of HK\$740 million as at the Latest Practicable Date under the Revised Convertible Bonds	
	Shares	Approximate %	Shares	Approximate %
Wealth Max ^(Note 1)	75,935,800	5.64	75,935,800	1.44
Chuang Yue ^(Note 2)	133,340,000	9.91	133,340,000	2.52
Other public Shareholders	1,135,924,200	84.45	1,135,924,200	21.51
All public Shareholders	1,269,264,200	94.36	1,269,264,200	24.03
Holders of the Revised Convertible Bonds	–	–	3,936,170,212	74.53
Total	1,345,200,000	100.00	5,281,370,212	100.00

Notes:

- Wealth Max is owned as to 100% by Dr. Sea.
- Chuang Yue is a public Shareholder. Chuang Yue has charged 133,340,000 Shares in favour of Champion Sense under the Chuang Yue Account 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.

Listing Rules Implications

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.

LETTER FROM THE BOARD

Inclusion of the Additional Security Documents is a result of negotiation among the parties and the presence of which incentivised Champion Sense to participate in the reorganisation of the Original Convertible Bonds and, the most important, to withdraw the Winding-up Petition. However, the inclusion of the Additional Security Documents changed the Terms and Conditions before the application of the Company for approval of the Stock Exchange under Rule 28.05 of the Listing Rules was made. For the avoidance of future occurrence of non-compliance of the Listing Rules, the Board will implement the following actions and procedures:

1. the Company will arrange to provide more training on regulatory compliance matters to the Directors and senior management of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules implications;
2. the Company will set up a reporting guideline such that the staff should evaluate the proposed transactions and report to company secretary of the Company if the proposed transactions may constitute transactions with Listing Rules implications and in case they are in doubt prior to the entering into of those transactions. The company secretary of the Company shall further assess the proposed transactions and ensure its reporting or other obligations as well as submit to the Board for approval; and
3. the Company will work more closely with its legal advisers on compliance issues.

EXTRAORDINARY GENERAL MEETING

Set out on pages EGM-1 to EGM-5 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the resolution relating 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.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.cfcg.com.hk). As set out in the section headed "Special Arrangements for the EGM" of this circular, the EGM will be conducted virtually via electronic means. As Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) will not be permitted to attend the EGM in person, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to vote at the EGM shall appoint the chairman of the EGM as their proxy by completing the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

The register of members of the Company will be closed from Friday, 6 May 2022 to Thursday, 12 May 2022, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 5 May 2022, for registration.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Shareholders.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except (a) Dr. Sea, Mr. Wang and their respective associates, by virtue of Dr. 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 interest, no other Shareholders have any material interest and are required to abstain from voting on the relevant ordinary resolution 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 to be proposed at the EGM. As at the Latest Practicable Date, (i) Dr. Sea and his associates are interested in 75,935,800 Shares, representing approximately 5.64% of the issued share capital of the Company; (ii) Mr. Wang and his associates are interested in 17,000,000 Shares, representing approximately 1.26% of the issued share capital of the Company; and (iii) Chuang Yue and its associates are interested in 133,340,000 Shares, representing approximately 9.91% of the issued share capital of the Company.

Dr. Sea has abstained from voting in the meeting of the Board for approving the Framework Agreement and the transactions contemplated thereunder, including the Amendment and Restatement Agreement. No other Director have any material interest and have abstained from voting in the meeting of the Board for approving the Framework Agreement and the transactions contemplated thereunder, including the Amendment and Restatement Agreement.

RECOMMENDATION

The Board considers that 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 are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

RESPONSIBILITY OF DIRECTORS

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge 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 contained herein or this circular misleading.

Yours faithfully,
For and on behalf of the Board of
China First Capital Group Limited
Wilson Sea
Chairman and Executive Director

* for identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 the extraordinary general meeting (the “**EGM**”) 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 at 10:00 a.m. on Thursday, 12 May 2022 for the following purposes:

ORDINARY RESOLUTION

“THAT:

- (a) the amendment and restatement agreement dated 13 January 2022 entered into among the Company, Champion Sense Global Limited, Hongkong Chuang Yue Co., Limited, First Capital Fund Management Company Limited* (首控基金管理有限公司), Rosser Investments Limited and First Capital Financial Group Limited in relation to the amendment of terms and conditions of the convertible bonds in the principal amount of HK\$800,000,000 issued by the Company and subscribed by Champion Sense Global Limited on 14 December 2017 (the “**Original Convertible Bonds**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) (the “**Amendment and Restatement Agreement**”) be and is hereby approved, ratified and confirmed, and all the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (b) subject to the Stock Exchange having approved the amendments to the terms and conditions of the Original Convertible Bonds, and the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Conversion Shares (as defined below) on the Stock Exchange, the Board be and is hereby granted a specific mandate for the allotment and issue of the ordinary share(s) of HK\$0.10 each in the share capital of the Company upon exercise of the conversion rights under the Convertible Bonds (as amended by the Amendment and Restatement Agreement) (the “**Conversion Shares**”); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors be and are hereby authorised for and on behalf of the Company to do all such further acts and things and to sign and execute all such other or further documents (if any) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Amendment and Restatement Agreement, including but not limited to the execution of any documents or deeds or the affixation of any seal or the issue of any certificate.”

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

Hong Kong, 21 April 2022

Notes:

- (1) As set out in the section headed “Special Arrangements for the EGM” of this circular, the EGM will be conducted virtually via electronic means. As Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) will not be permitted to attend the EGM in person, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to vote at the EGM shall appoint the chairman of the EGM as their proxy by completing the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, 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 the EGM, i.e. Tuesday, 10 May 2022 at 10:00 a.m. (Hong Kong time), or any adjournment thereof (as the case may be).
- (2) Any Shareholder entitled to attend and vote at the EGM 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 may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder. However, given the special arrangements adopted by the Company as set out in the section headed “Special Arrangements for the EGM” of this circular, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to vote at the EGM shall appoint the chairman of the EGM as their proxy to exercise their right to vote at the EGM in accordance with their instructions.
- (3) 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 Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) The register of members of the Company will be closed from Friday, 6 May 2022 to Thursday, 12 May 2022, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 5 May 2022, for registration.
- (5) As at the date of this notice, 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.
- (6) COVID-19 PANDEMIC SITUATION

The Company will adopt the following special arrangement at the EGM for the purpose of public health and safety:

- (a) The EGM will be conducted virtually via electronic means (the “**Virtual EGM**”). The Shareholders and/or their proxies will NOT be able to attend the Virtual EGM in person, and can only view and listen to a live webcast of the Virtual EGM via electronic means.

The Virtual EGM will be broadcasted from the EGM venue in Hong Kong (the “**EGM Venue**”) and only the minimum number of persons will be physically present at the EGM Venue as is legally required to form a quorate meeting by the Directors or other senior staff members of the Company who are Shareholders or proxy. Other Directors will participate by way of electronic means.

Shareholders will be able to view and listen to the Virtual EGM through a live webcast from 10:00 a.m. until the completion of the EGM on Thursday, 12 May 2022 on a computer, tablet or any browser enabled device. Please follow the instructions on the landing page on how to access the webcast.

- (b) For Shareholders who would like to view and listen to the Virtual EGM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:
- (i) Full name;
 - (ii) Registered address;
 - (iii) Number of Shares held;
 - (iv) Contact telephone number; and
 - (v) Email address

NOTICE OF EXTRAORDINARY GENERAL MEETING

no later than 10:00 a.m. on Tuesday, 10 May 2022 (forty-eight (48) hours before the time appointed for holding the Virtual EGM) to enable the Company to verify the Shareholders' status.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to view and listen the Virtual EGM live webcast. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

Authenticated Shareholders will receive an email confirmation by Wednesday, 11 May 2022 (being not less than twenty-four (24) hours before the time appointed for holding the Virtual EGM) which contains a link to join the live webcast of the Virtual EGM. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the Virtual EGM.

- (c) All resolutions at the EGM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the EGM by proxy. If you wish to vote on any resolution at the EGM, you must appoint the chairman of the EGM as your proxy to exercise your right to vote at the EGM in accordance with your instructions. If you appoint a person who is not the chairman of the EGM as your proxy, that person will not be permitted entry to the meeting and will not be able to exercise your vote.

The proxy form for use at the EGM is enclosed with this circular. The proxy form can be downloaded from the "Investor Relations – Announcements & Circulars" section of the Company's website (https://www.cfcg.com.hk/en/ir_announce.php). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

The proxy form should be returned to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the EGM.

- (d) Shareholders may submit any questions they may have in advance in relation to any resolution set out in the Notice of EGM by 10:00 a.m. on Tuesday, 10 May 2022 (forty-eight (48) hours before the time appointed for holding the Virtual EGM) via email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 providing personal particulars as follows for verification purposes:

- (i) Full name;
- (ii) Registered address;
- (iii) Number of Shares held;
- (iv) Contact telephone number; and
- (v) Email address

NOTICE OF EXTRAORDINARY GENERAL MEETING

Shareholders can also submit questions during the Virtual EGM through the webcast link provided.

The Board will arrange for as many of the questions asked to be answered as possible at the EGM.

The Company are closely monitoring the impact of the COVID-19 pandemic in Hong Kong. Should any changes be made to the EGM arrangements, the Company will notify Shareholders via an announcement posted on the Company's website (www.cfcg.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).