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CHINA FIRST CAPITAL GROUP LIMITED

中國首控集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1269)

MAJOR TRANSACTION – ACQUISITION OF SHARES IN SJW INTERNATIONAL AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

ACQUISITION OF SHARES IN SJW INTERNATIONAL

The Board announces that on 28 July 2017 (after trading hours), the Company entered into the Share Purchase Agreements, pursuant to which the Company has conditionally agreed to purchase and the Sellers have conditionally agreed to sell, in aggregate, 2,700 Target Shares, representing 54% of the total issued shares of SJW International at the maximum Consideration of US\$134.86 million (equivalent to approximately HK\$1,051.91 million). The Consideration will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares.

CONSIDERATION SHARES

The Consideration Shares will be issued at the Issue Price, being HK\$2.88, which was determined after arm's length negotiations between the Company and the First Seller with reference to the average closing price of the Shares for the 20 consecutive trading days immediately prior to the date of the First Share Purchase Agreement. Based on the maximum Consideration payable by the Company (including the maximum reward payment) of US\$134.86 million, 274,380,000 new Shares will be allotted and issued as the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

Since certain applicable percentage ratios for the Acquisition, as aggregated pursuant to Rule 14.22 of the Listing Rules, exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

EGM

The EGM will be held to consider and if thought fit, to approve the Acquisition, the Transaction Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition. Accordingly, no Shareholders will be required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition, the Transaction Agreements and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further information regarding the Acquisition, the Transaction Agreements and the transactions contemplated thereunder, and SJW International together with a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Closing of the Acquisition shall be subject to the satisfaction of the conditions precedent set forth in the Share Purchase Agreements which are disclosed in the section headed “Share Purchase Agreements – Conditions precedent” of this announcement. There is no assurance that any of the conditions precedent set forth in the Share Purchase Agreements will be fulfilled. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

ACQUISITION OF SHARES IN SJW INTERNATIONAL

The Board announces that on 28 July 2017 (after trading hours), the Company entered into the Share Purchase Agreements, pursuant to which the Company has conditionally agreed to purchase and the Sellers have conditionally agreed to sell, in aggregate, 2,700 Target Shares, representing 54% of the total issued shares of SJW International at the maximum Consideration of US\$134.86 million (equivalent to approximately HK\$1,051.91 million). The Consideration will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares.

THE SHARE PURCHASE AGREEMENTS

Principal terms of the Share Purchase Agreements are set out below:

- Date** : 28 July 2017
- Parties** : The First Share Purchase Agreement
- (1) the Company as purchaser; and
 - (2) the First Seller as seller.
- The Second Share Purchase Agreement
- (1) the Company as purchaser; and
 - (2) the Second Seller as seller.

Subject matter

The First Share Purchase Agreement

The Company has conditionally agreed to purchase and the First Seller has conditionally agreed to sell 2,600 Target Shares, representing 52% of the total issued shares of SJW International.

The Second Share Purchase Agreement

The Company has conditionally agreed to purchase and the Second Seller has conditionally agreed to sell 100 Target Shares, representing 2% of the total issued shares of SJW International.

Consideration

The Consideration was determined after arm's length negotiations between the Company and the Sellers having considered, among others, historical performance, net asset value, reputation and market position and development plan of SJW International as well as prospects of online education sector, based on the price-to-earnings ratio of 13.32 and calculated as described in the paragraphs "Tranche 1 Payment Price" and "Tranche 2 Payment Price" below.

The maximum Consideration payable by the Company under the First Share Purchase Agreement and the Second Share Purchase Agreement is US\$130.40 million (equivalent to approximately HK\$1,017.12 million) and US\$4.46 million (equivalent to approximately HK\$34.79 million), respectively. The Consideration shall be paid in two tranches.

Tranche 1 Payment Price

26% (based on half of the 52% of the total issued shares of SJW International to be transferred pursuant to the First Share Purchase Agreement) and 1% (based on half of the 2% of the total issued shares of SJW International to be transferred pursuant to the Second Share Purchase Agreement) of Equity Value 2017 with respect to the First Share Purchase Agreement and the Second Share Purchase Agreement, respectively. "Equity Value 2017" is equal to the product of multiplying 13.32 by the average of the 2016 Net Income and the estimated 2017 Net Income from Operations.

The Tranche 1 Payment Price under the First Share Purchase Agreement is subject to the following adjustments:

- (1) Claw-back payment – in the event that the audited 2017 Net Income from Operations is less than US\$8 million, the Company is entitled to claw-back a portion of the Tranche 1 Payment Price which equals to 27% of the product of multiplying 13.32 by the difference between US\$10 million and the audited 2017 Net Income from Operations. The claw-back payment shall offset against the Tranche 2 Payment Price under the First Share Purchase Agreement, provided that in the event of the Tranche 1 Cancellation, the First Seller shall pay the claw-back payment to the Company within 30 days from the Company’s notice of its intention of the Tranche 1 Cancellation.
- (2) Reward payment – in the event that the audited 2017 Net Income from Operations is greater than US\$12 million, the First Seller shall be entitled to an additional reward payment which equals to 27% of the product of multiplying 13.32 by the difference between US\$10 million and the audited 2017 Net Income from Operations (which shall be capped at US\$14 million). The reward payment shall be added to the Tranche 2 Payment Price under the First Share Purchase Agreement.

Tranche 2 Payment Price

26% (based on half of the 52% of the total issued shares of SJW International to be transferred pursuant to the First Share Purchase Agreement) and 1% (based on half of the 2% of the total issued shares of SJW International to be transferred pursuant to the Second Share Purchase Agreement) of Equity Value 2018 with respect to the First Share Purchase Agreement and the Second Share Purchase Agreement, respectively. “Equity Value 2018” is equal to the product of multiplying 13.32 by the average of the 2017 Net Income from Operations and the 2018 Net Income from Operations, provided that the capped maximum amount of 2017 Net Income from Operations and 2018 Net Income from Operations are US\$14 million and US\$25 million, respectively.

Payment of the Consideration

The First Share Purchase Agreement

The Company shall satisfy the Tranche 1 Payment Price as set forth below:

- (1) Within one month from the date of the First Share Purchase Agreement, the Deposit shall be remitted to the bank account of the First Seller; and the Tranche 1 Escrow Amount shall be remitted to the escrow account designated by the First Seller. The Tranche 1 Escrow Amount shall be released to the First Seller upon the Closing Date. Upon its release, the amount of the Deposit and the Tranche 1 Escrow Amount shall be used to offset against the payment of the cash portion of the Tranche 1 Payment Price.
- (2) At Closing, (a) an amount equivalent to 60% of the Tranche 1 Payment Price minus the Deposit and the Tranche 1 Escrow Amount shall be paid in cash; and (b) the remaining 40% of the Tranche 1 Payment Price shall be settled by allotment and issue of the Tranche 1 Stock at the Issue Price.

Based on the maximum amount of the Tranche 1 Payment Price of US\$48.48 million, the Tranche 1 Stock will be 52,510,000 Consideration Shares.

The Company shall satisfy the Tranche 2 Payment Price within 30 days from its receipt of the audited financial statements of SJW International for the year ending 31 December 2018 by the allotment and issue of the Tranche 2 Stock. Based on the maximum amount of the Tranche 2 Payment Price (including the maximum reward payment as described above) of US\$81.92 million, the Tranche 2 Stock will be 221,870,000 Consideration Shares.

Second Share Purchase Agreement

The Company shall pay the Tranche 1 Payment Price in cash at Closing.

The Company shall pay the Tranche 2 Payment Price in cash within 30 days from its receipt of the audited financial statements of SJW International for the year ending 31 December 2018.

Tranche 1 Cancellation

In the event that the 2017 Net Income from Operations is below US\$6 million, the Company may, at its sole discretion, elect the Tranche 1 Cancellation. Upon the Company's such election, all of the parties' respective rights and obligations under the Share Purchase Agreements shall cease to exist and extinguish, and the sale and transfer of all of the Target Shares shall be deemed to be of no legal effect as of and since the date of the Share Purchase Agreements. Upon the Company's election of the Tranche 1 Cancellation:

- (a) the Company shall return to the Sellers all of the Target Shares held by the Company after the Closing; and
- (b) the Sellers shall refund to the Company in cash the Tranche 1 Cancellation Refund Amount, or in the case of the First Share Purchase Agreement, if any of the Tranche 1 Stock remains held by the First Seller, the First Seller may elect to return all or part of those Tranche 1 Stock and refund a cash amount that is equivalent to the Tranche 1 Cancellation Refund Amount minus the aggregate value of the Tranche 1 Stock to be returned (as determined based on the Issue Price). If the First Seller elects to return any of the Tranche 1 Stock, such Tranche 1 Stock shall be returned to the Company and/or the nominee(s) of the Company.

Tranche 2 Cancellation

In the event that the 2018 Net Income from Operations is below US\$14 million, the Company may, at its sole discretion, elect the Tranche 2 Cancellation. Upon the Company's such election,

- (a) the Tranche 1 Payment Price shall be finally deemed to be the consideration for the 50% of the Target Shares to be retained by the Company; and

- (b) the sale and transfer of the remaining 50% of the Target Shares shall be deemed to be of no legal effect as of and since the date of the Share Purchase Agreements. Upon the Company's election of the Tranche 2 Cancellation, the Company shall return to the Sellers 50% of the Target Shares acquired from each of the Sellers by the Company after the Closing pursuant to the Share Purchase Agreements, respectively.

Lock-up of the Tranche 1 Stock

The First Seller shall not sell, assign, give, pledge, hypothecate, encumber or otherwise transfer 50% of the Tranche 1 Stock without the prior written approval of the Company for six months following the transfer and delivery of the Tranche 1 Stock by the Company.

Lock-up of the Tranche 2 Stock

The First Seller shall not sell, assign, give, pledge, hypothecate, encumber or otherwise transfer his interest in any of the Tranche 2 Stock or take any action leading to or likely to result in any of the foregoing without the prior written approval of the Company for the Tranche 2 Stock Lock-up Period.

After the Tranche 2 Stock Lock-up Period, 50% of the Tranche 2 Stock held by the First Seller shall be subject to the following:

- (1) In the event that the Tranche 2 Reference Price is higher than the Tranche 2 Cap Price, the First Seller shall pay to the Company an amount that is calculated by multiplying (a) 50% of the Tranche 2 Stock; and (b) the difference by which the Tranche 2 Reference Price exceeds the Tranche 2 Cap Price in cash.
- (2) In the event that the Tranche 2 Reference Price is lower than the Tranche 2 Floor Price, the Company shall pay to the First Seller an amount that is calculated by multiplying (a) 50% of Tranche 2 Stock; and (b) the difference by which the Tranche 2 Reference Price falls short of the Tranche 2 Floor Price in cash (provided that the amount that the Company is required to pay to the First Seller shall not in any event exceed US\$24 million).

After the Tranche 2 Stock Lock-up Period, the remaining 50% of the Tranche 2 Stock held by the First Seller shall be tradable on the Stock Exchange without any restrictions.

The Company intends to pay the cash portion of the Consideration by a combination of internal resources, debt and/or equity financing.

Conditions precedent

The Sellers

The obligations of the Sellers to sell the Target Shares and to consummate the transactions contemplated under the Share Purchase Agreements shall be subject to the fulfillment, on or prior to the Closing Date, of all of the conditions set forth below:

- (1) All representations and warranties of the Company were true in all material respects when made and shall be true on and as of the Closing Date as if made on such date.
- (2) The Company shall have performed and complied with all agreements and covenants required by the Share Purchase Agreements to be performed or complied with by it on or prior to the Closing in all material respects.
- (3) Each of the Transaction Agreements shall have been duly executed by the parties thereto.
- (4) All corporate approvals and other proceedings which need to be obtained and completed by the Company in connection with and necessary for the transactions contemplated by the Share Purchase Agreements and all documents and instruments incidental to such transactions shall have been duly completed and reasonably satisfactory in substance and form to the Sellers, and the Sellers shall have received all such counterpart originals or certified copies of such documents as they may reasonably request.
- (5) The Company shall have obtained any and all approvals, consents and waivers that the Company is required to obtain for consummation of the transactions contemplated by the Share Purchase Agreements on or prior to the Closing, including, without limitation, the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and all other necessary permits, authorizations, approvals, consents or permits of any competent authority.
- (6) There is no action, suit or proceeding instituted or threatened before any authority or other order, directive or notice seeking to challenge, restrain or impose any liability or sanctions with respect to the transactions contemplated by the Share Purchase Agreements, that a party thereto may suffer damages as a result of consummating such transactions or which has had or could be expected to have a material adverse change since the date of the Share Purchase Agreements.

The Company

The obligations of the Company to purchase the Target Shares and to consummate the transactions contemplated under the Share Purchase Agreements shall be subject to the fulfillment, on or prior to the Closing Date, of all of the conditions set forth below:

- (1) All representations and warranties of the Sellers were true in all material respects when made and shall be true on and as of the Closing Date as if made on such date.

- (2) The Sellers shall have performed and complied with all agreements and covenants required by the Share Purchase Agreements to be performed or complied with by them on or prior to the Closing in all material respects.
- (3) Each of the Transaction Agreements shall have been duly executed by the parties thereto.
- (4) SJW International and the Sellers shall have obtained any and all approvals, consents and waivers that SJW International and the Sellers are required to obtain for consummation of the transactions contemplated by the Share Purchase Agreements on or prior to the Closing, including, without limitation, all necessary permits, authorizations, approvals, consents or permits of any competent authority.
- (5) The Company shall have obtained any and all internal approvals and consents necessary for the consummation of the transactions contemplated by the Share Purchase Agreements, including without limitation, the passing of the resolutions by the Shareholders and the Board and/or its affiliate(s), approving the transactions contemplated by the Share Purchase Agreements (including, among others, the allotment and issue of the Consideration Shares). The Company shall use reasonable endeavors to procure such approvals and consents.
- (6) There shall have been no material adverse change in the net tangible assets, liabilities, financial condition of SJW International including distributing its assets to its shareholders or operating results of SJW International, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse to SJW International from the date of the Share Purchase Agreements and until the Closing Date.
- (7) There is no action, suit or proceeding instituted or threatened before any authority or other order, directive or notice seeking to challenge, restrain or impose any liability or sanctions with respect to the transactions contemplated by the Share Purchase Agreements, that a party thereto may suffer damages as a result of consummating such transactions or which has had or could be expected to have a material adverse change since the date of the Share Purchase Agreements.
- (8) The First Seller shall have resigned his position as a director in another company engaged in the same field of business including but not limited to SDH & CO Co., Ltd. and Beluga Edu Co., Ltd.
- (9) The Sellers shall maintain the net assets of SJW International not lower than US\$28 million based on the balance sheet as of 31 May 2017 and cash surplus of SJW International not lower than US\$10 million, where the amount of net assets and cash surplus of SJW International set forth in the balance sheet of SJW International (prepared by SJW International in accordance with the K-IFRS) for the calendar month that immediately precedes the calendar month in which the Closing Date falls shall be used to verify the Sellers' compliance of this provision. Notwithstanding the foregoing, if it is reasonably expected that the cash surplus of SJW International may fall short of US\$8 million at any time prior to the Closing Date, the Sellers may notify the Company in writing of such fact and SJW International shall be permitted to expend further cash payments upon the Company's prior approval. The Sellers shall also give a prior notice to the Company in writing if there is any material change in SJW International's cash surplus (i.e. a change of more than US\$1 million) from the date of the Share Purchase Agreements and until the Closing Date.

- (10) The Sellers have not (i) distributed any cash or assets to the shareholders of SJW International by dividends or in any other form or manner; and (ii) reduced SJW International's share capital in any manner from the date of the Share Purchase Agreements and until the Closing Date.
- (11) The Stock Exchange shall have granted the approval for the listing of, and permission to deal in, the Consideration Shares.

The closing of the Share Purchase Agreements shall occur simultaneously, and shall not occur unless all of the closing conditions specified in the Share Purchase Agreements have been satisfied or waived.

Closing

Closing shall take place on the date which is five business days from the satisfaction of the conditions precedent specified in the Share Purchase Agreements or such other date mutually agreed upon between the parties thereto.

In the event that the parties fail to close the transactions contemplated under the Tranche 1 Payment Price by 31 December 2017 due to fault attributable to the Company as described below, the First Seller shall be entitled to keep the Deposit and the Tranche 1 Escrow Amount shall be released to the First Seller, provided however that, in the cases described in paragraph (1) and (2) below, the First Seller shall be entitled to keep the Deposit and the Tranche 1 Escrow Amount shall be released to the Company:

- (1) The Company's failure to obtain (a) the Shareholders' resolutions approving the transactions contemplated under the Transaction Agreements (including, among others, the allotment and issue of the Consideration Shares) by reason of inability to obtain the necessary approvals and consents from the Stock Exchange with respect to the circular submitted for convening the EGM; or (b) the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.
- (2) The Company's failure to obtain the Shareholders' resolutions approving the transactions contemplated under the Transaction Agreements (including, among others, the allotment and issue of the Consideration Shares) by reason of the Shareholders other than Hongkong Chuang Yue Co., Limited or Wealth Max Holdings Limited disapproving the contemplated transactions; and
- (3) The Company's failure to obtain the Shareholders' resolutions approving the transactions contemplated under the Transaction Agreements (including, among others, the allotment and issue of the Consideration Shares) by reason of the Shareholders Hongkong Chuang Yue Co., Limited or Wealth Max Holdings Limited disapproving the contemplated Transaction.

Termination

At any time on or prior to Closing, a party may immediately terminate the Share Purchase Agreement by giving written notice of termination to the other party, if:

- (a) the other party has committed a material breach of any agreement, covenant, or other terms of the Share Purchase Agreement, and fails to cure such breach within 20 business days of the receipt of written notice from the non-breaching party requesting cure of the breach;
- (b) any of the representations and warranties of the other party are proven to be false, misleading, fraudulent or incorrect; or
- (c) if Closing shall not have taken place by 31 December 2017.

Further, the First Seller may immediately terminate the First Share Purchase Agreement at any time prior to the Closing at his discretion by (a) returning the Deposit; (b) causing the Tranche 1 Escrow Amount to be released, and (c) causing US\$1 million to be paid, to the Company.

If the First Share Purchase Agreement is terminated pursuant the terms thereof, the Second Share Purchase Agreement shall be automatically terminated as of the date of such termination.

In the event of a termination of the Share Purchase Agreements under any of the above provisions, the Share Purchase Agreements shall forthwith become null and void, provided, however that the termination of the Share Purchase Agreements shall not relieve any party thereto of any liability for breach of the Share Purchase Agreements prior to the date of termination.

Properties

The Sellers shall cause SJW International not to (and SJW International shall not) dispose of the Properties without the consent of the Company.

After the Closing Date, the Properties may be disposed of by resolution of the board of directors of SJW International, provided that the Properties shall only be disposed of at a price not lower than the fair market value determined by an independent third-party appraiser appointed by the board of directors of SJW International. With respect to the Namjoong Building, the board of directors of SJW International shall have the right to grant to the First Seller the first right of refusal with respect to the First Seller's purchase of the Namjoong Building of a period of six months.

Assignment

The Company may assign any of its rights or delegate any of its obligations under the Share Purchase Agreements to an affiliate of the Company, a wholly-owned subsidiary or parent company of the Company or an investment fund managed by the Company, without obtaining prior written consent of the Sellers, provided that the Company shall be jointly and severally responsible for the obligations under the Share Purchase Agreements.

THE SHAREHOLDERS AGREEMENT

Following the Closing, SJW International will be owned as to 54% by the Company and 45% by the First Seller. SJW International owns 1% treasury stock. The Company, the First Seller and SJW International entered into the Shareholders Agreement on 28 July 2017 to set out the managerial, financial and other arrangements in relation to their participation in SJW International and regulate the affairs of SJW International following the Closing. The principal terms of the Shareholders' Agreement are as follows:

Pre-emptive right

Each shareholder of SJW International has pre-emptive rights to purchase new shares pro rata to its shareholding in SJW International with respect to any future sale and issuance of new shares by SJW International.

Board members

The board of directors of SJW International shall consist of three members, of which the Company shall be entitled to nominate and have elected two members (the "FC Directors") and the First Seller shall be entitled to nominate and have elected one member who shall serve as the chairman of the board of director of SJW International.

Matters requiring the First Seller's consent

The First Seller's consent shall be required for the following actions of SJW International or any of its affiliates:

- (1) To issue or grant any securities convertible into or exercisable for shares in connection with any employee share ownership program.
- (2) To take any action that authorizes, creates or issues shares of any class of SJW International having rights, preferences or privileges senior to or on par with the rights, preferences or privileges of the existing shares.
- (3) To take any action that reclassifies any outstanding shares into shares of SJW International having rights, preferences or privileges senior to or on par with the rights, preferences or privileges of the existing shares.
- (4) To approve the liquidation, dissolution or winding up of SJW International or any of its affiliates.
- (5) To amend or waive any provision of articles of incorporation, including without limitation, any amendment or waiver effected through a reorganization, consolidation, merger or other transaction.
- (6) To engage in any business materially different from those set forth in the articles of incorporation.

- (7) To submit for approval to the board of directors of SJW International or take any action in connection with any transaction between (a) SJW International; and (b) any director, officer, or employee of SJW International or any of such director, officer, or employee's affiliates, unless such transaction is in the ordinary course of business of SJW International and has been disclosed in writing to the Company prior to entering into such transaction.

Lock-up

Except for the creation of any pledge or other security interest the purpose of which is obtaining financing for the payment of the Tranche 1 Payment Price and the Tranche 2 Payment Price, the Company shall not sell, assign, give, pledge, hypothecate, encumber or otherwise transfer its interest in any of its shares in SJW International or take any action leading to or likely to result in any of the foregoing without the prior written approval of the First Seller for a period of two years following the Closing Date.

The First Seller shall not sell, assign, give, pledge, hypothecate, encumber or otherwise transfer his interest in any of his shares in SJW International or take any action leading to or likely to result in any of the foregoing without the prior written approval of the Company for so long as the Company owns at least 25% of the issued shares in SJW International.

Initial Public Offering

Upon the occurrence of either of the following events, the First Seller shall have the option to either (i) transfer his shares in SJW International to a third party without the Company's consent; or (ii) drag-along all shares of SJW International owned by the Company in the sale of 100% of the issued shares in SJW International to a third party by engaging an independent investment bank to be appointed by the First Seller:

- (1) that the shares in SJW International are not listed on the Stock Exchange or the Singapore Exchange by 31 July 2020 (or a later date agreed to by the parties) where, given that SJW International satisfies the listing requirements of the Stock Exchange and the Singapore Exchange and that listing conditions are determined to be reasonably satisfied for listing as determined by a committee of SJW International, such non-occurrence of the listing by 31 July 2020 is reasonably and objectively determined to be due to an act, omission or failure to act on the part of the Company or the member(s) of the committee nominated by the Company or the FC Directors; or
- (2) that the initial public offering by SJW International fails to occur by 31 July 2022 for any reason.

Right of First Refusal

If either the Company or the First Seller (the “**Offeror**”) desires to sell or transfer its/his shares in SJW International to any person (other than to transfer to its/his affiliates), the Offeror shall first notify the other party (the “**Offeree**”) in writing of its/his intention to do so. The Offeree shall have the option to purchase such shares.

Tag-along right

If the Company desires to transfer its shares in SJW International to any person, the First Seller shall have, in addition to his right of first refusal above, the right to participate in such transfer with respect to any shares in SJW International held by the First Seller, based on the First Seller’s pro rata shareholding in SJW International.

Drag-along right

From and after the expiration of the Company’s lock-up period, the Company shall have drag-along rights in respect of the transfer of shares in SJW International by the Company to a third-party purchaser.

Minimum service terms of the First Seller

The First Seller warrants, undertakes and covenants to the Company that the First Seller, if retained by an approval of the board of directors of SJW International, shall continue to provide services to SJW International until the earliest of (a) five year anniversary of the Closing Date; (b) the date upon which the First Seller ceases to own any share in SJW International; and (c) the date as of which the Company holds less than 10% of the issued shares in SJW International, unless (x) the Company gives its prior written consent otherwise; or (y) in the event of any illness or accident which would render him incapacitated to discharge services to SJW International.

Non-competition

Until the earliest of (a) five year anniversary of the Closing Date; (b) the date upon which the First Seller ceases to own any share in SJW International; and (c) the date as of which the Company holds less than 10% of the issued shares in SJW International, the First Seller shall not (i) take any action which may reasonably be expected to materially harm the continuing integrity of SJW International or its business; and (ii) use or disclose proprietary information of SJW International for any purpose other than the furtherance of SJW International’s business.

Further, during the term of the Shareholders Agreement, the First Seller shall not directly or indirectly operate, or otherwise engage as an employee of, any person conducting business which is the same as or competitive with the business conducted by SJW International at any time.

CONSIDERATION SHARES

Based on the maximum Consideration payable by the Company under the First Share Purchase Agreement (including the maximum reward payment) of approximately US\$130.40 million (equivalent to approximately HK\$1,017.12 million), a maximum of 274,380,000 new Shares may be allotted and issued at the Issue Price to the First Seller as the Consideration Shares.

The Consideration Shares will be issued at the Issue Price, being HK\$2.88, which was determined after arm's length negotiations between the Company and the First Seller with reference to the average closing price of the Shares for the 20 consecutive trading days immediately prior to the date of the First Share Purchase Agreement. Based on the closing price of HK\$3.15 per Share as quoted on the Stock Exchange on the Last Trading Day, the aggregate market value of the maximum number of the Consideration Shares is HK\$864.30 million.

As at the date of this announcement, the Company has 4,777,500,000 Shares in issue. The maximum number of the Consideration Shares represent:

- (i) approximately 5.74% of the total issued Shares as at the date of this announcement; and
- (ii) approximately 5.43% of the total issued Shares as enlarged by the issue of the maximum number of the Consideration Shares.

The Issue Price:

- (i) represents a discount of approximately 8.57% to the closing price of HK\$3.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) represents a discount of approximately 1.03% to the average closing price of HK\$2.91 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) equals to the average closing price of HK\$2.88 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day.

The Directors consider that the Issue Price is fair and reasonable and the allotment of the Consideration Shares is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the maximum number of the Consideration Shares	
	Shares	Approximate %	Shares	Approximate %
Hongkong Chuang Yue Co., Limited ^(Note 1)	804,360,000	16.84%	804,360,000	15.92%
Wealth Max Holdings Limited ^(Note 2)	510,520,000	10.68%	510,520,000	10.11%
Public Shareholders	3,462,620,000	72.48%	3,462,620,000	68.54%
The First Seller	–	–	274,380,000	5.43%
	<u>4,777,500,000</u>	<u>100.00%</u>	<u>5,051,880,000</u>	<u>100.00%</u>

Notes:

- (1) Hongkong Chuang Yue Co., Limited is owned as to 100% by Shenmane.D Co., Limited, which in turn is wholly-owned by Golden Cloud Co., Limited, and which in turn is wholly-owned by Mr. Tang Mingyang, an executive Director.
- (2) Wealth Max Holdings Limited is owned by Mr. Wilson Sea, the Chairman of the Board and an executive Director, as to 100%.

INFORMATION ON THE SELLERS

The First Seller

The First Seller is a Canadian citizen. He founded SJW International in 2006 and has been teaching English for over 15 years. He is a well-known English teacher in the Republic of Korea.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the First Seller is an Independent Third Party.

The Second Seller

The Second Seller is a Canadian citizen and the mother of the First Seller.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Second Seller is an Independent Third Party.

INFORMATION ON SJW INTERNATIONAL

SJW International is a joint stock company incorporated in the Republic of Korea in 2006. As at the date of this announcement, SJW International is wholly-owned by the Sellers.

Being the first company which offers online English video courses for adults in the Republic of Korea, SJW International is principally engaged in the provision of basic English courses for adults, online English courses for kids, online language teaching video courses, e.g. Chinese, Japanese and Spanish. Through successful product marketing since 2015, SJW International has become the top company in online adult language learning platforms in the Republic of Korea with 63% market share. Since 2017, SJW International has expanded its business to cover upgraded basic English courses, English courses for kids, English courses for elders and 1:1 live chat tutoring. SJW International is researching and developing a self-adaptive learning platform which is expected to be launched in 2018. SJW International aims to become the top edu-tech content and service platform in the Republic of Korea and has the ambition to enter the global market.

Financial information

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

	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>KRW'million</i>	<i>KRW'million</i>
Net assets	26,012	13,156
Net profit before tax	21,592	14,445
Net profit after tax	16,423	11,470

FINANCIAL EFFECT OF THE ACQUISITION

Upon Closing, SJW International will become a non-wholly-owned subsidiary of the Company and the results, assets and liabilities of SJW International will be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. Before 2014, the Group was mainly engaged in automotive parts business. Since the end of 2014, the Group has started moving into new businesses, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, credit financing and migration financial services. From 2016, the Group continued to diversify its business by stepping up its efforts in the aforementioned businesses while developing its education operation business. It shifted its principal focus onto education operation and obtained support from its own diversified financial services units, in the hope of building a platform of operation, investment and financing in the education sector driven by “Education Operation plus Financial Services” thereby delivering long-term and stable cash flow and creating favorable investment returns for its Shareholders and partners.

With the development of IT technology, online education has recently become increasingly popular among both students and investors. In comparison with traditional offline education, online education enables students to study at any time and place at their convenience. With a high gross profit margin, online education has potential to be highly scalable due to high market demand. SJW International is one of the most renowned brands in the Republic of Korea. According to the data from a public online education research website in the Republic of Korea in 2016 (calculated by revenue), it has the largest market share in the adult online education sector. After the launch of its brand new embedded self-adaptive learning platform, SJW International is expecting to achieve exponential growth in the coming years by taking full advantage of its mature marketing strategy.

SJW International will be the first anchor asset of the Company in the online education sector. With further bolt-on acquisitions of quality content providers and edu-tech companies, SJW International could become an international online education platform. The Company believes that, with the strategic alliance, all parties to the Transaction Agreements could benefit from the synergistic effect through in-depth cooperation and resources sharing. The current business model of SJW International is mature and has generated US\$14.9 million net profit in 2016 and is expecting to generate even bigger success in the coming years, which would bring in solid cashflows and splendid international resources to the Company.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Transaction Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since certain applicable percentage ratios for the Acquisition, as aggregated pursuant to Rule 14.22 of the Listing Rules, exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

EGM

The EGM will be held to consider and if thought fit, to approve the Acquisition, the Transaction Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interest in the Transaction Agreements. Accordingly, no Shareholders will be required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition, the Transaction Agreements and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further information regarding the Acquisition, the Transaction Agreements and the transactions contemplated thereunder, SJW International together with a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Closing of the Acquisition shall be subject to the satisfaction of the conditions precedent set forth the Share Purchase Agreements which are disclosed in the section headed “Share Purchase Agreements – Conditions precedent” of this announcement. There is no assurance that any of the conditions precedent set forth the Share Purchase Agreements will be fulfilled. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Shares under the Share Purchase Agreements
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Closing”	the completion of the Acquisition pursuant to the terms and conditions of the Share Purchase Agreements
“Closing Date”	the date on which Closing takes place
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	total consideration payable by the Company under the Share Purchase Agreements
“Consideration Shares”	collectively, the Tranche 1 Stock and the Tranche 2 Stock, being new Shares to be allotted and issued by the Company at the Issue Price to satisfy part of the Tranche 1 Payment Price and the Tranche 2 Payment Price under the First Share Purchase Agreement
“Deposit”	an amount equal to US\$1.5 million to be remitted to the bank account of the First Seller by the Company as earnest money deposit
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and approving, among others, the Acquisition, the Transaction Agreements and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
“First Seller”	Siwon Lee, who is more particularly described in the section headed “Information on the Sellers – the First Seller” in this announcement
“First Share Purchase Agreement”	the share purchase agreement dated 28 July 2017 entered into between the Company and the First Seller
“Group”	the Company and its subsidiaries
“Hannamdong Building”	the building located at Itaewon-ro 54-gil, Yongsan-gu, Seoul, Republic of Korea currently owned by SJW International
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a third party(ies) which is (are) independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Issue Price”	the issue price of HK\$2.88 per Consideration Share
“K-IFRS”	Korean International Financial Reporting Standards in effect from time to time

“KRW”	South Korean won, the lawful currency of the Republic of Korea
“Last Trading Day”	28 July 2017, being the last trading day of the Shares on the Stock Exchange prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Namjoong Building”	the building located at 12, Gukhoe-daero 74-gil, Yeongdeungpo-gu, Seoul, Republic of Korea currently owned by SJW International
“Net Income”	the total revenues (including non-operating income) of SJW International minus the expenditures related to the operation of the business, specifically, depreciation, amortization, interest, taxes and other business expenses, which shall be derived from SJW International’s financial statements audited by an independent auditor appointed by the Company in accordance with K-IFRS
“Net Income from Operations”	the total revenues (excluding non-operating income) of SJW International minus the expenditures related to the operation of the business, specifically, depreciation, amortization, interest, taxes and other business expenses, which shall include the net profit of SJW International’s subsidiaries (on a consolidated basis) but the net profit from the sale of all properties of SJW International, including the Properties, shall not be taken into account in determining the Net Income from Operations. The Net Income from Operations shall be derived from SJW International’s financial statements audited by an independent auditor appointed by the Company in accordance with K-IFRS
“Properties”	collectively, the Namjoong Building and the Hannamdong Building
“Second Seller”	Kija Lee, who is more particularly described in the section headed “Information on the Sellers – the Second Seller” in this announcement
“Second Share Purchase Agreement”	the share purchase agreement dated 28 July 2017 entered into between the Company and the Second Seller
“Sellers”	collectively, the First Seller and the Second Seller and each a “Seller”

“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Share Purchase Agreements”	collectively, the First Share Purchase Agreement and the Second Share Purchase Agreement and each a “Share Purchase Agreement”
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	the Shareholders Agreement dated 28 July 2017 entered into among the Company, the First Seller and SJW International
“SJW International”	SJW International Co., Ltd., which is more particularly described in the section headed “Information on SJW International” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Share(s)”	ordinary share(s) of KRW 10,000 each in the share capital of SJW International
“Tranche 1 Cancellation”	the termination, cancellation and rescission of the Share Purchase Agreements and the transactions contemplated thereunder as more particularly described in the section headed “The Share Purchase Agreements – Tranche 1 Cancellation” of this announcement
“Tranche 1 Cancellation Refund Amount”	the US\$-equivalent of the KRW-equivalent of the total amount of the Tranche 1 Payment Price based on the open day exchange rate announced by KEB Hana Bank as of the Closing Date
“Tranche 1 Escrow Amount”	an amount equal to US\$1.5 million to be remitted by the Company to an escrow account designated by the First Seller
“Tranche 1 Payment Price”	the first tranche payment of the Consideration under the Share Purchase Agreements, which is to be determined as described in the section headed “The Share Purchase Agreements – Consideration – Tranche 1 Payment Price” of this announcement
“Tranche 1 Stock”	the number of Consideration Shares to be issued at the Issue Price to satisfy 40% of the Tranche 1 Payment Price under the First Share Purchase Agreement
“Tranche 2 Cancellation”	the partially termination, cancellation and rescission of the Share Purchase Agreements and the transactions contemplated thereunder as more particularly described in the section headed “The Share Purchase Agreements – Tranche 2 Cancellation” of this announcement

“Tranche 2 Cap Price”	130% of the Issue Price
“Tranche 2 Floor Price”	70% of the Issue Price
“Tranche 2 Payment Price”	the second tranche payment of the Consideration under the Share Purchase Agreements, which is to be determined as described in the section headed “The Share Purchase Agreements – Consideration – Tranche 2 Payment Price” of this announcement
“Tranche 2 Reference Price”	the average closing price of the Shares for the 20 consecutive trading days immediately prior to the last day of the Tranche 2 Stock Lock-up Period
“Tranche 2 Stock”	the number of Consideration Shares to be issued at the Issue Price to satisfy 100% of the Tranche 2 Payment Price under the First Share Purchase Agreement
“Tranche 2 Stock Lock-up Period”	six months following the transfer and delivery of the Tranche 2 Stock by the Company
“Transaction Agreements”	collectively, the Share Purchase Agreements and the Shareholders Agreement
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 28 July 2017

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

For the purpose of this announcement, unless otherwise specified, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00=HK\$7.80. The above exchange rates are for the purpose of illustration only and do not constitute any representations that any amounts in HK\$ and US\$ have been, could have been or may be converted at such rates or any other exchange rate.