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FIRST SHANGHAI INVESTMENTS LIMITED

第一上海投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS AND SHAREHOLDER'S LOAN IN A SUBSIDIARY

THE DISPOSAL

On 29 June 2023 (after trading hours), the Vendors entered into the Agreement with the Purchaser, pursuant to which (i) the Vendors agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (i.e. an aggregate of approximately 61.92% of equity interests in the Target Company) at an aggregate consideration of RMB38,374,667; and (ii) the Debtor shall sell, and the Purchaser shall purchase, the Shareholder's Loan at a consideration of RMB5,630,000.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfilment and/or waiver of the Conditions Precedent, the Disposal may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

THE DISPOSAL

On 29 June 2023 (after trading hours), the Vendors entered into the Agreement with the Purchaser, pursuant to which (i) the Vendors agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (i.e. an aggregate of approximately 61.92% of equity interests in the Target Company) at an aggregate consideration of RMB38,374,667; and (ii) the Debtor shall sell, and the Purchaser shall purchase, the Shareholder's Loan at a consideration of RMB5,630,000. Details of the Agreement are summarised as follows:

THE AGREEMENT

Date : 29 June 2023

Parties : (a) CVIC (a wholly-owned subsidiary of the Company), one of the Vendors and holds approximately 57.92% equity interests in the Target Company as at the date of this announcement;

(b) Shanghai Xin Xiu, one of the Vendors and holds 4.00% equity interests in the Target Company on behalf of the Company as at the date of this announcement;

(c) the Debtor (a wholly-owned subsidiary of the Company); and

(d) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Xin Xiu and the Purchaser and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Nature of the transaction

Pursuant to the Agreement, (i) the Vendors agreed to sell, and the Purchaser agreed to purchase, the Sale Shares (i.e. an aggregate of approximately 61.92% of equity interests in the Target Company) at an aggregate consideration of RMB38,374,667; and (ii) the Debtor shall sell, and the Purchaser shall purchase, the Shareholder's Loan at a consideration of RMB5,630,000.

Consideration

The total consideration for the Disposal is RMB44,004,667, being (i) RMB38,374,667 for the Sale Shares, which comprises RMB35,895,663 for the approximately 57.92% equity interests in the Target Company held by CVIC and RMB2,479,004 for the 4.00% equity interests in the Target Company held by Shanghai Xin Xiu; and (ii) RMB5,630,000 for the Shareholder's Loan owed to the Debtor which shall be settled in cash by the Purchaser in the following manner:

- (1) the consideration for the Sale Shares of RMB38,374,667 shall be paid to the accounts designated by the Vendors within three business days from the date of completion of the change in registration with the relevant government authorities in respect of the transfer of the Sale Shares to the Purchaser; and
- (2) the consideration for the Shareholder's Loan of RMB5,630,000 shall be paid to the account designated by the Debtor within three business days from the date of completion of the change in registration with the relevant government authorities in respect of the transfer of the Sale Shares to the Purchaser.

The consideration was determined after arm's length negotiations on normal commercial terms among the parties to the Agreement and after primarily taking into account (i) in respect of the consideration for the Sale Shares, the value of the assets and liabilities of the Target Company (including its recording of net liabilities as at 31 May 2023) and the loss making track record of the Target Company in the recent financial years; and (ii) in respect of the consideration for the Shareholder's Loan, the book value of the loan owed by the Target Company to the Debtor (a wholly-owned subsidiary of the Company) as of 31 May 2023.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is on normal commercial terms and fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Disposal shall be conditional upon the following Conditions Precedent having been fulfilled pursuant to the Agreement:

- (1) all of the other three shareholders of the Target Company (i.e. other than the Vendors) agree not to exercise their rights of first refusal and agree to cooperate in the change of registration with the relevant government authorities in respect of the transfer of the Sale Shares under the Disposal;
- (2) if CVIC or its parent company, being the Company, has to hold a general meeting to approve the Disposal in accordance with the Listing Rules, then CVIC confirms that such general meeting has been held and the Disposal has been approved. If such general meeting is not required, then this condition does not apply;
- (3) if approval or registration procedures are required by the relevant laws and regulations in the PRC for the change of the Target Company from being a foreign invested enterprise to being a domestic enterprise, such approval or registration procedures have been completed; and
- (4) the Purchaser has fully paid the consideration for the Sale Shares and the Shareholder's Loan.

Completion

Completion of the Disposal shall take place within 30 days after the fulfillment of all the Conditions Precedent.

INFORMATION ON THE PARTIES

The Group is principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operations, medical and healthcare services, direct investment, investment holding and management.

CVIC (being one of the Vendors) is principally engaged in investment holding. It is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It holds approximately 57.92% equity interests in the Target Company as at the date of this announcement.

Shanghai Xin Xiu (being one of the Vendors) is principally engaged in investment holding. It is a company incorporated in the PRC with limited liability and is an Independent Third Party to the Company. It holds 4.00% equity interests in the Target Company on behalf of the Company as at the date of this announcement.

The Debtor is principally engaged in investment holding. It is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company.

The Purchaser is principally engaged in leasing and business services. It is a company established in the PRC with limited liability. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, (i) the Purchaser is ultimately and beneficially owned as to 50.40% by 孫學召先生 (Mr. Sun Xuezhao*), who is a merchant; and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties to the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in container transportation and freight forwarding. As at the date of this announcement, the Target Company is held as to approximately 57.92% by CVIC, 4.00% by Shanghai Xin Xiu (on behalf of the Company) and approximately 38.08% by three other Independent Third Parties.

As at 31 May 2023, the unaudited net liability value of the Target Company amounted to approximately RMB13.9 million. Set out below is the unaudited financial results of the Target Company for each of the years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	(RMB'000)	(RMB'000)
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss before taxation	1,186	1,646
Loss after taxation	1,186	1,646

REASONS FOR AND BENEFITS OF THE DISPOSAL

With reference to the annual report of the Company for the year ended 31 December 2022, (i) the majority of the revenue of the Group was generated from the financial services segment; (ii) the financial services segment the Group recorded segment profit, whereas all other segments of the Group recorded segment losses; and (iii) the Group recorded loss attributable to shareholders of approximately HK\$139.9 million and HK\$55.5 million, respectively, for each of the years ended 31 December 2021 and 2022. As stated in the annual report, the Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in its core businesses, primarily the financial services segment and the property and hotel segment. The Disposal represents a good opportunity for the Group to realise its investment in the Target Company and allows the Group to immediately strengthen its cash position for the focused development of its core businesses.

Following Completion, the Company will no longer hold any direct or indirect equity interest in the Target Company and the Target Company will no longer be a subsidiary of the Company. As a result of the Disposal, the Group is expected to record a gain on Disposal of approximately HK\$62 million, which is calculated with reference to the difference between the consideration of the Disposal and the unaudited net book value of the Target Company attributable to the Company as at 31 May 2023. Such calculation is only for illustrative purpose and the actual gain or loss to be recorded by the Group as a result of the Disposal will be subject to further review by the auditors of the Company.

The Group intends to apply the entire net proceeds from the Disposal, which is estimated to be approximately HK\$48 million, to the general working capital of the Group.

The terms and conditions of the Disposal were arrived at after arm's length negotiations among the parties to the Agreement. The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfilment and/or waiver of the Conditions Precedent, the Disposal may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

In this announcement, the following terms have the meanings set out below:

“Agreement”	the agreement dated 29 June 2023 and entered into among the Vendors and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, a Sunday or a public holiday) on which the Stock Exchange is open for the business of dealing in securities
“Company”	First Shanghai Investments Limited (stock code: 227), a company incorporated in Hong Kong with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Agreement

“Conditions Precedent”	the conditions precedent to the Completion under the Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CVIC”	CVIC International Container Transportation Company Limited (中創運輸投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Debtor”	上海運保通信息技術有限公司 (Shanghai Transvision Network Application Service Company Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of (i) the Sale Shares by the Vendors; and (ii) the Shareholder’s Loan by the Debtor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	上海鑫譽通供應鏈管理有限公司 (Shanghai Xinyutong Supply Chain Management Co., Ltd*), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	an aggregate of approximately 61.92% equity interest in the Target Company, being (i) the approximately 57.92% equity interests in the Target Company held by CVIC; and (ii) the 4.00% equity interests in the Target Company held by Shanghai Xin Xiu on behalf of the Company

“Shanghai Xin Xiu”	上海辛秀投資諮詢有限公司 (Shanghai Xin Xiu Investment Consultancy Company Limited*), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the loan owed by the Target Company to the Debtor (a wholly-owned subsidiary of the Company)
“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海中創國際集裝箱儲運有限公司 (Shanghai Zhong Chuang International Container Storage & Transportation Company Limited*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Vendors”	CVIC and Shanghai Xin Xiu
“%”	per cent.

By order of the Board
First Shanghai Investments Limited
YEUNG Wai Kin
Executive Director

Hong Kong, 29 June 2023

As at the date of this announcement, the Board comprises four executive Directors, being Mr. LO Yuen Yat, Mr. XIN Shulin, Mr. YEUNG Wai Kin and Ms. LAO Yuanyuan, one non-executive Director, Mr. KWOK Lam Kwong, Larry, S.B.S., J.P. and five independent non-executive Directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao, Mr. ZHOU Xiaohe and Mr. LI Zhiyun.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification purpose only