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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

MAJOR TRANSACTION DISPOSAL OF 50% EQUITY INTEREST IN A JOINT VENTURE

THE DISPOSAL

On 26 August 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which, inter alia, the Vendor conditionally agreed to the sale of the Disposal Interest, representing the 50% equity interest in Shanghai Zhangjiang, to the Purchaser (or its nominee which shall not be a connected person of the Group) for the Consideration.

IMPLICATION UNDER THE LISTING RULES

Since the highest of the applicable percentage ratios in respect of the amount of the Disposal is over 25% but less than 75%, the entering into of the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Disposal and the entering into and performance of obligations under the Agreement. A circular, which will include, among other things, further details of the Disposal and the transaction contemplated under the Agreement, is expected to be despatched to the Shareholders on or before 30 September 2019 as additional time is required for preparation of the financial information and property valuation report of the Group.

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Date of the Agreement : 26 August 2019

Purchaser : 上海張江(集團)有限公司 (Shanghai Zhangjiang (Group) Company Limited*), a company established in the PRC with limited liability, which beneficially owns 50% equity interest in Shanghai Zhangjiang as at the date of this announcement (or its nominee which shall not be a connected person of the Group)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is an investment holding company principally engaged in the land and property development in the PRC; and (ii) save as disclosed above, the Purchaser and its ultimate beneficial owner(s) are not connected persons of the Company and are third parties independent of the Company and the connected persons of the Group.

Vendor : Leader Capital Investments Limited, a company incorporated in British Virgin Islands with limited liability and wholly-owned by the Company

Subject matter : The Disposal Interest, being the 50% equity interest in Shanghai Zhangjiang currently owned by the Vendor as at the date of this announcement

Consideration

Pursuant to the Agreement, the Consideration for the sale and purchase of the Disposal Interest shall be in the total sum of no more than RMB200 million, (subject to downward adjustment as detailed below) which shall be payable in the following manner:

- (i) an intention money of RMB10 million (the “**Intention Money**”) shall be paid in cash by the Purchaser to the Vendor within five business days from the date of the Agreement, which shall be refunded to the Purchaser within five days after the Completion Date;

- (ii) RMB190 million shall be settled in cash by the Purchaser to the Vendor on the Completion Date; and
- (iii) the remaining balance shall be settled in cash by the Purchaser to the Vendor within five business days after refund of the Intention Money to the Purchaser.

At any time prior to the Completion, the Purchaser, if agreed by the Vendor, may engage a third party assessor to assess the value of the Company and its subsidiaries as at the benchmark assessment date of 31 May 2019 and as filed at the relevant state-owned assets management authorities governing the Purchaser (the “**Assessed Value**”). In the event that (i) the Assessed Value is lower than the Consideration, the Consideration shall be adjusted downward to the Assessed Value and whereupon the Vendor shall be entitled to terminate the Agreement within three business days after its acknowledgment of the Assessed Value by notice in writing to the Purchaser without any liability or obligation on the part of any party to the Agreement (save in respect of any antecedent breaches and claims); and (ii) the Assessed Value is higher than the Consideration, the Consideration shall remain unchanged.

The Consideration was determined after arm’s length negotiations between the parties to the Agreement based on normal commercial terms with reference to the historical operating performance and the stagnant business prospects of Shanghai Zhangjiang in the foreseeable future as anticipated by the Board prior to the entering into of the Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the sale and purchase of the Disposal Interest pursuant to the Agreement shall be conditional upon, inter alia, the satisfaction or (if applicable) waiver of the Conditions Precedent, which include, amongst others:

- (i) the Purchaser having completed legal, financial and taxation due diligence review on the Company and its subsidiaries to its satisfaction within 30 business days from the date of the Agreement (or such longer period of time which may be separately agreed by the Vendor and the Purchaser);
- (ii) the Vendor having repaid in full all outstanding loans owed to the Company at an aggregated sum of approximately RMB8.12 million within three business days after receipt of the Intention Money;
- (iii) the Purchaser having obtained the approval, permission or agreement as to the proposed land plot redevelopment of Shanghai Zhangjiang from the relevant authorities;

- (iv) the relevant state-owned assets management authorities governing the Purchaser having approved the entering into of the Agreement by the Purchaser and the transactions contemplated thereunder;
- (v) the Shareholders having approved the entering into of the Agreement by the Vendor and the transactions contemplated thereunder at a general meeting convened by the Company for such purposes;
- (vi) there being no material adverse change to Shanghai Zhangjiang and its assets, save for any property disposition as requested by the Purchaser; and
- (vii) the warranties, undertakings and declarations given by the Vendor and the Purchaser remain true, accurate and not misleading in all material respects from the date of the Agreement up to the Completion Date.

Pursuant to the Agreement, none of the above Condition Precedent can be waived, save that the Purchaser may waive any of the Conditions Precedent set out in paragraphs (i), (ii), (iii), (vi) and (vii) above. In the event that the Conditions Precedent are not fulfilled (or waived, as the case may be), the Agreement will terminate and become null and void, upon which:

- (i) the parties thereto will be released from all obligations thereunder, save in respect of any antecedent breaches and claims; and
- (ii) the Intention Money shall be refunded to the Purchaser.

Liquidated Damages

In the event that the Vendor or the Purchaser (as the case may be) (i) acts unilaterally to terminate the sale and purchase of the Disposal Interest; or (ii) fails to satisfy the Conditions Precedent on its part and the Agreement is terminated as a result, the non-defaulting party shall be entitled to a liquidated damages at a sum equivalent to 10% of the Consideration.

Completion

Completion of the sale and purchase of the Disposal Interest shall take place within five business days after satisfaction of the Conditions Precedent. In the event that Completion fails to take place on or before 28 February 2020 by reason of the Vendor or the Purchaser (as the case may be), the non-defaulting party is entitled to terminate the Agreement by notice in writing to the other party, unless Shanghai Zhangjiang has already commenced any property demolition works per the Purchaser's request.

Upon Completion, the Group will cease to own any equity interest in Shanghai Zhangjiang and accordingly (i) Shanghai Zhangjiang will cease to be an equity joint venture company of the Group; and (ii) the profit or loss and assets and liabilities of Shanghai Zhangjiang will no longer be equity-

accounted for in the consolidated financial statements of the Group. Pursuant to the Agreement, the profit/loss attributable to the Disposal Interest since 31 May 2019 will be entitled to/assumed by the Purchaser.

INFORMATION ON SHANGHAI ZHANGJIANG

Shanghai Zhangjiang is an equity joint venture company established in Shanghai, the PRC in October 2002 with a registered capital of RMB71.12 million for a term of 50 years and is principally engaged in property development. As at the date of this announcement, Shanghai Zhangjiang is owned by the Purchaser as to 50% and the Vendor as to 50%, respectively. Upon Completion, Shanghai Zhangjiang will become a wholly-owned subsidiary of the Purchaser.

Based on the audited financial statements of Shanghai Zhangjiang prepared in accordance with the PRC GAAP, its profit before and after taxation (i) for the year ended 31 December 2017 were approximately RMB16.2 million and RMB12.2 million respectively; and (ii) for the year ended 31 December 2018 were approximately RMB16.6 million and RMB12.5 million respectively.

Based on its latest unaudited financial statements of Shanghai Zhangjiang for the five months ended 31 May 2019 prepared in accordance with the PRC GAAP, (i) the profit before and after taxation for the five months ended 31 May 2019 were approximately RMB5.3 million and RMB4.2 million respectively; and (ii) its net asset value as at 31 May 2019 was approximately RMB96.1 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

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

Subject to audit, it is currently expected that the Group will record an accounting loss on the Disposal of approximately HK\$2 million, which is calculated with reference to the difference between the Consideration and the accumulated balance of investment cost and share of profits/reserves of Shanghai Zhangjiang based on the unaudited financial statements of Shanghai Zhangjiang attributable to the Disposal Interest as at 31 May 2019. However, such accounting loss is non-cash in nature and would not have any material adverse impact on the current and future cash flows and business operations of the Group. Nonetheless, when comparing to the Group's historical cost of investment in Shanghai Zhangjiang of approximately HK\$34 million, it would have recorded a gain (after tax) on the Disposal of approximately HK\$244 million on the basis that accumulated cash dividend of a joint venture (i.e. Shanghai Zhangjiang) of approximately HK\$84 million that had already been received and accounted for in the consolidated financial statements of the Group over the years following the establishment of Shanghai Zhangjiang.

The Directors consider that the Disposal represents a good opportunity for the Group to realise its long-term investment in Shanghai Zhangjiang with considerable amount of investing cash inflow, which is also consistent with the Group's business strategy to gradually fade away from the property

development segment, and in turn more focus on the medical and healthcare service segment. It is intended that the estimated net proceeds from the Disposal of approximately HK\$194 million will be used for general working capital of the Group and to finance its medical and healthcare business, which was started up by the end of 2017 and has continuously incurred considerable amount of capital expenditure and operating cash outflow since then.

The Directors consider that the Disposal will enable the Group to focus on its core businesses, and to allocate more financial resources to the development of these businesses, and they also believe that this will be beneficial to the Group in the long-term future.

The terms and conditions of the Disposal were arrived at after arm's length negotiations between 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.

LISTING RULES IMPLICATIONS

Since the highest of the applicable percentage ratios in respect of the amount of the Disposal is over 25% but less than 75%, the entering into of the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Disposal and the entering into and performance of obligations under the Agreement. A circular, which will include, among other things, further details of the Disposal and the transaction contemplated under the Agreement, is expected to be despatched to the Shareholders on or before 30 September 2019 as additional time is required for preparation of the financial information and property valuation report of the Group.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 26 August 2019 entered into among the Company 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 banks are usually opening for the business in Hong Kong and the PRC

“Company”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong with limited liability on 7 July 1964, the Shares of which have been listed on the Main Board of the Stock Exchange since 1972
“Completion”	completion of the sale and purchase of the Disposal Interest in accordance with the Agreement
“Completion Date”	the date when the Completion takes place
“Conditions Precedent”	the conditions precedent to the Completion under the Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	RMB200 million, being the consideration for the sale and purchase of the Disposal Interest
“Directors”	the directors of the Company
“Disposal”	the disposal of the Disposal Interest by the Company to the Purchaser pursuant to the Agreement
“Disposal Interest”	the 50% equity interest in Shanghai Zhangjiang held by the Vendor as at the date of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal and the entering into and performance of obligations under 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “Mainland China”	The People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC

“Purchaser”	上海張江(集團)有限公司 (Shanghai Zhangjiang (Group) Company Limited*), a company established in the PRC with limited liability, being the existing joint venture partner holding 50% equity interest in Shanghai Zhangjiang
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Zhangjiang”	上海張江信息安全產業發展有限公司 (Shanghai Zhangjiang Property Development Company Limited*), an equity joint venture company established in Shanghai, the PRC in October 2002 with a registered capital of RMB71.12 million for a term of 50 years, which is owned by the Purchaser as to 50% and by the Vendor as to 50% as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Leader Capital Investments Limited, a company incorporated in British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“%”	per cent.

* *For identification purpose only*

In this announcement, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1.000 = HK\$1.111. No representation is made that any amounts in RMB or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.

By order of the Board
First Shanghai Investments Limited
Yeung Wai Kin
Executive Director and Company Secretary

Hong Kong, 26 August 2019

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Lo Yuen Yat

Mr. Xin Shulin

Mr. Yeung Wai Kin

Non-executive Director:

Mr. Kwok Lam Kwong, Larry, S.B.S., J.P.

Independent non-executive Directors:

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qihao

Mr. Zhou Xiaohe