
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed dealer in securities or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in First Shanghai Investments Limited, you should at once hand this circular and the accompanying proxy form 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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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

**(1) PROPOSED OPEN OFFER
ON THE BASIS OF TWO OPEN OFFER SHARES
FOR EVERY FIVE SHARES HELD ON THE RECORD DATE
UNDERWRITTEN BY CONNECTED PERSON
(2) CONNECTED TRANSACTION IN RELATION TO THE
UNDERWRITING AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INDEPENDENT FINANCIAL ADVISER



Capital 9 Limited

Notice convening an extraordinary general meeting of First Shanghai Investments Limited to be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on Friday, 22 September 2023 at 3:00 p.m. is set out on pages N-1 to N-3 of this circular. A form of proxy is also enclosed.

The Shares will be dealt in on an ex-entitlements basis from Wednesday, 4 October 2023. Any Shareholder or other person dealing in the Shares from the Latest Practicable Date up to the date on which the Open Offer becomes unconditional (which is expected to be Thursday, 16 November 2023), will bear the risk that the Open Offer does not become unconditional and proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers.

The Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events, including force majeure, summarised in the section headed "Termination of the Underwriting Agreement" on page 14 of this circular. If the Underwriting Agreement is terminated or does not become unconditional, the Open Offer will not proceed.

Whether or not shareholders are able to attend the extraordinary general meeting, they are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong or the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event **not less than 48 hours before** the time appointed for holding the meeting. Completion of a form of proxy will not preclude shareholders from attending and voting at the meeting (or any adjournment thereof) in person if they so wish.

31 August 2023

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DEFINITIONS

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

“Announcement”	the joint announcement of the Company and China Assets about the Open Offer and the possible General Offer dated 3 August 2023
“Application Form”	the application form to be used in connection with the Open Offer, in such usual form as the Company may agree with China Assets
“associate”	the meaning ascribed to it in the Listing Rules or the Takeovers Code (as the context may require)
“Board”	the board of Directors
“Business Day”	the meaning ascribed to it in the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS
“China Assets”	China Assets (Holdings) Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by New Synergies, and a Shareholder holding 328,029,445 Shares at the Latest Practicable Date
“China Assets Undertaking”	an undertaking given by China Assets in favour of the Company to procure that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which it is the beneficial owner
“Company”	First Shanghai Investments Limited (第一上海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0227)
“Companies Ordinance”	the Companies Ordinance

DEFINITIONS

“Compensatory Arrangements”	arrangements to place the Unsubscribed Shares by the Placing Agent on a best efforts basis to investors (other than Shareholders) who (and whose ultimate beneficial owners, if applicable) are Independent Third Parties pursuant to Rule 7.26A(1)(b) of the Listing Rules
“Composite Document”	the composite offer and response document to be jointly issued by China Assets and the Company in connection with the General Offer in accordance with the Takeovers Code if China Assets becomes obliged to make the General Offer
“connected person”	the meaning ascribed to it in the Listing Rules
“Directors”	the Directors of the Company
“EGM”	the extraordinary general meeting of the Company notice of which is set out in this circular, to consider and, if thought fit, approve the Open Offer, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“First Shanghai Securities” or “Placing Agent”	First Shanghai Securities Limited, a wholly-owned subsidiary of the Company and a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity, which will act as agent of the Company in the Placing, and the offer agent to China Assets in respect of the possible General Offer and will make the General Offer if required, on behalf of China Assets
“General Offer”	the possible mandatory cash general offer that may be made by First Shanghai Securities for and on behalf of China Assets to acquire the General Offer Shares on the terms and conditions to be set out in the Composite Document and in compliance with the Takeovers Code

DEFINITIONS

“General Offer Independent Board Committee”	the independent committee of the Board comprising Mr. Kwok Lam Kwong Larry, the non-executive director and all the independent non-executive Directors, namely Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qihao, Mr. Zhou Xiaohe and Mr. Li Zhiyun which has been established to advise the Independent Shareholders in respect of the terms of the General Offer and as to acceptance of the General Offer
“General Offer Price”	the price of HK\$0.11 per General Offer Share payable in cash by China Assets on the terms of the General Offer
“General Offer Shares”	1,020,592,456 Shares being all the Shares expected to be in issue following the Open Offer and Compensatory Arrangements but excluding those Shares already owned or agreed to be acquired by China Assets and parties acting in concert with it
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and, where the context so permits, includes the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Capital 9 Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, appointed by the Company to (i) advise the Open Offer Independent Board Committee and the Independent Shareholders in respect of the Underwriting Agreement, the Placing Agreement and the Open Offer; and (ii) advise the General Offer Independent Board Committee in connection with the General Offer and in particular as to whether the General Offer is, or is not, fair and reasonable and as to acceptance

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) China Assets, the other Lo Parties, their ultimate beneficial owners and their associates (as that term is defined in the Listing Rules) and parties acting in concert with any of them and as to voting; and (ii) those who are involved or have interests in the Compensatory Arrangements, the Placing Agreement, the Open Offer and the Underwriting Agreement that are different to those of the general body of Shareholders
“Independent Third Party”	third parties independent of and not connected with the Company and its connected persons and not acting in concert with the Lo Parties, their ultimate beneficial owners and parties acting in concert with any of them
“Irrevocable Undertakings”	collectively the Mr. Lo Undertaking, Kinmoss Undertaking, New Synergies Undertaking, China Assets Undertaking and Mr. Yeung Undertaking
“Kinmoss”	Kinmoss Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability the entire issued share capital of which is owned by Mr. Lo, and a Shareholder holding 85,138,236 Shares at the Latest Practicable Date
“Kinmoss Undertaking”	an undertaking given by Kinmoss in favour of the Company to procure that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which it is the beneficial owner
“Last Trading Day”	Monday, 31 July 2023, being the trading day for the Shares last preceding the publication of the Announcement
“Latest Practicable Date”	Friday, 25 August 2023 being the latest practicable date for ascertaining certain information in this circular
“Latest Time for Application”	4:00 p.m. on Wednesday, 8 November 2023 or such other date as may be agreed between the Company and China Assets as the last day for application and payment for the Open Offer Shares
“Listing Committee”	the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Lo Parties”	Mr. Lo, Kinmoss, New Synergies and China Assets which together are the controlling shareholders of the Company for the purposes of the Listing Rules
“Mr. Lo”	Mr. Lo Yuen Yat, the Chairman and an executive Director and at the Latest Practicable Date a Shareholder directly holding 115,217,218 Shares who is also deemed under the SFO to be interested in (a) 85,138,236 Shares owned by Kinmoss; (b) 252,082 Shares owned by New Synergies; and (c) 328,029,445 Shares owned by China Assets
“Mr. Lo Undertaking”	an undertaking given by Mr. Lo in the Underwriting Agreement to procure that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which he is the beneficial owner
“Mr. Yeung”	Mr. Yeung Wai Kin, an executive Director, the chief financial officer and company secretary of the Company and a Shareholder holding 15,541,924 Shares at the Latest Practicable Date
“Mr. Yeung Undertaking”	an undertaking given by Mr. Yeung in favour of the Company to procure that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which he is the beneficial owner
“Net Gain”	the total amount of premium of all Unsubscribed Shares placed under the Placing Agreement, if any, over the aggregate amount of (i) the Subscription Price for the Unsubscribed Shares; and (ii) the expenses of the Placing Agent (including any related commissions and other related expenses/fees)
“New Synergies”	New Synergies Investments Company Limited, a company incorporated in Hong Kong with limited liability issued share capital of which is owned as to 40% by Mr. Lo, 30% by his brother, Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng, whose principal business is investment holding, and a Shareholder holding 252,082 Shares at the Latest Practicable Date

DEFINITIONS

“New Synergies Undertaking”	the undertaking given by New Synergies in favour of the Company to procure that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which it is the beneficial owner
“No Action Shareholders”	Qualifying Shareholders who do not apply in part or in full for the Open Offer Shares in their assured allotments, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Open Offer
“Open Offer”	the proposed offer for subscription to the existing Shareholders of the Open Offer Shares at the Subscription Price on the basis of assured allotments two Open Offer Shares for every five Shares held by the Shareholders on the Record Date
“Open Offer Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qihao, Mr. Zhou Xiaohe and Mr. Li Zhiyun which has been established to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Placing Agreement and as to voting
“Open Offer Shares”	the 625,908,544 new Shares to be allotted and issued under the Open Offer (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date (or during the acceptance period under the General Offer (as the context may require)) and whose addresses as shown on such register is/are outside Hong Kong

DEFINITIONS

“Placing Agreement”	the placing agreement dated Monday, 31 July 2023 between the Company and the Placing Agent in respect of the Compensatory Arrangements
“Placing End Date”	the fourth Business Day following and excluding the date of the Latest Time for Application which is expected to be Wednesday, 15 November 2023
“Placing Period”	the period from Tuesday, 14 November 2023 to 4:00 p.m. on the Placing End Date, or such other dates as the Company may determine and announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the offering circular to be issued by the Company in relation to the Open Offer which it proposes to register as a prospectus
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which assured allotments under the Open Offer are expected to be determined, which is Thursday, 12 October 2023 or such later date as may be determined and announced by the Company
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s share registrar
“Relevant Period”	the period commencing six months prior to the date of the Announcement (i.e. 3 February 2023) and ending on the Latest Practicable Date
“Settlement Date”	the Business Day following and excluding the Placing End Date (or such other date as China Assets and the Company may agree)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance
“Shares”	shares of no par value in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.11 per Open Offer Share
“substantial shareholder”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	the meaning ascribed to it under the Listing Rules
“Undertaking Providers”	the Lo Parties and Mr. Yeung
“Underwriting Agreement”	the underwriting agreement dated 31 July 2023 between the Company and China Assets in relation to the Open Offer
“Underwritten Shares”	408,236,984 Open Offer Shares underwritten by China Assets pursuant to the Underwriting Agreement, which do not include the Shares subject to the Irrevocable Undertakings
“Unsubscribed Shares”	the Open Offer Shares that are not subscribed by the Qualifying Shareholders (including the aggregated fractional Open Offer Shares) and the Open Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE FOR THE OPEN OFFER

The expected timetable for the Open Offer is set out below:

2023

Despatch of circular, proxy form and notice of EGM	Thursday, 31 August
Latest time for registration of transfer of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 18 September
Closure of register of members of Company to determine qualification for attendance and voting at the EGM	From Tuesday, 19 September to Friday, 22 September (both dates inclusive)
Latest time for lodging proxy forms for EGM	3:00 p.m. on Wednesday, 20 September
Record date for attending and voting at EGM	Friday, 22 September
EGM	3:00 p.m. on Friday, 22 September
Announcement of poll results of EGM	Friday, 22 September
Re-opening of register of members of the Company	Monday, 25 September
Last day of dealings in Shares on a cum-entitlements basis	Tuesday, 3 October
First day of dealings in Shares on ex-entitlements basis	Wednesday, 4 October
Latest time for lodging transfers of Shares in order for transferees to qualify for the Open Offer	4:30 p.m. on Thursday, 5 October
Closure of register of members to determine entitlements to Open Offer	From Friday, 6 October to Thursday, 12 October (both dates inclusive)
Record Date	Thursday, 12 October
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Wednesday, 25 October
Latest time for application and payment for Open Offer Shares	4:00 p.m. on Wednesday, 8 November
Announcement of number of Unsubscribed Shares subject to Compensatory Arrangements	Monday, 13 November

EXPECTED TIMETABLE FOR THE OPEN OFFER

2023

Commencement of placing of Unsubscribed Shares by Placing Agent	Tuesday, 14 November
Placing End Date for placing Unsubscribed Shares	4:00 p.m. on Wednesday, 15 November
Latest time for termination of Underwriting Agreement by China Assets	4:00 p.m. on Wednesday, 15 November
Settlement Date and Open Offer becomes unconditional	4:00 p.m. on Thursday, 16 November
Announcement of results of Open Offer (including results of placing of Unsubscribed Shares and Net Gain under Compensatory Arrangements)	Thursday, 16 November
Despatch of certificates for fully paid Open Offer Shares	Friday, 17 November
Despatch of refund cheques if Open Offer is terminated	Friday, 17 November
Payment of Net Gain to relevant No Action Shareholders (if any)	Friday, 17 November
First time of dealings in fully paid Open Offer Shares	9:00 a.m. on Monday, 20 November

The General Offer will be made as soon as practicable after completion of the Underwriting Agreement.

All times in this circular refer to Hong Kong time.

The expected timetable set out above is indicative only and is subject to change, and any change will be announced by the Company as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION

If a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted or “extreme conditions” are announced on the date of the Latest Time for Application:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Application will be postponed to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE FOR THE OPEN OFFER

- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Application will be rescheduled to 4:00 p.m. on the next Business Day which does not have any of those warnings in force or an “extreme conditions” caused by a super typhoon in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Settlement Date) may be affected and if so an appropriate announcement will be made.

UNDERWRITING AGREEMENT

PRINCIPAL TERMS OF THE UNDERWRITING AGREEMENT

Date	:	31 July 2023
Parties	:	(i) the Company; and (ii) China Assets, a connected person of the Company, as underwriter
Number of Underwritten Shares	:	408,236,984 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date), being the expected total number of the Open Offer Shares less 217,671,560 Open Offer Shares which will be in the assured allotment relating to Shares beneficially owned by the Undertaking Providers
Commission	:	2% of the gross proceeds from the subscription of the Underwritten Shares actually taken up by China Assets under the Underwriting Agreement, a commission negotiated on arm's length terms by reference to underwriting commission in similar arrangements

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and China Assets with reference to the financial position of the Group, the current and expected market conditions, and taking into consideration the intention of China Assets to facilitate the Company's fundraising efforts. The Directors (including members of the Open Offer Independent Board Committee having taken into account the advice of the Independent Financial Adviser) taking into consideration the Subscription Price, that the underwriting commission of 2% is less than the Directors believe an independent underwriter would charge and that commission is payable only on Open Offer Shares actually taken up under the Underwriting Agreement (in contrast to a typical commercial underwriting arrangement in which commission is payable on the entire number of shares underwritten and not just on shares actually taken up by the underwriter), are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

UNDERWRITING AGREEMENT

CONDITIONS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement is a connected transaction of the Company and is conditional upon the fulfilment of the following conditions:

- (i) the passing in extraordinary general meeting of resolutions voted on only by the Independent Shareholders to approve the Open Offer and the Underwriting Agreement in accordance with the Listing Rules;
- (ii) the registration by, and filing of the Prospectus Documents with, the Registrar of Companies in Hong Kong;
- (iii) compliance by the Company with its undertakings and obligations under the Underwriting Agreement;
- (iv) compliance by each Undertaking Provider with its obligations under its Irrevocable Undertakings; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Open Offer Shares and such listing and permission to deal not having been withdrawn or revoked before the expected first day of dealings.

None of these conditions had been satisfied at the Latest Practicable Date and none of them is waivable by parties to the Underwriting Agreement. In the event that the conditions above have not been satisfied at or before 4:00 p.m. on the Settlement Date (or, in each case, such later time or date as China Assets and the Company may agree), all liabilities of the parties thereto shall cease and neither party shall have any claim against the other.

The Company will use all reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and do all the things required to be done by it pursuant to the Prospectus Documents or otherwise necessary to give effect to the Open Offer and the arrangements contemplated by the Underwriting Agreement.

The major benefit expected to accrue to the Company as a result of the Underwriting Agreement is that it will ensure the Company raises all the capital it seeks in the Open Offer. Given the prevailing poor market sentiment, that there was a poor response to the Company's last open offer, which closed in December 2021 and was under-subscribed by approximately 59.1%, and that turnover of trading in the Shares is thin, the Director consider it unlikely that a third party underwriter would be willing to underwrite the Open Offer unless for a much higher underwriting commission and on other terms commercially unacceptable to the Company, and did not approach independent parties for the underwriting.

UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

China Assets is entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (i) in the reasonable opinion of China Assets, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which, for this purpose, includes a change in the system under which the value of the Hong Kong currency is pegged to the currency of the United States of America) occurs which in the reasonable opinion of China Assets makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) the Company's application to the Stock Exchange for listing of and permission to deal in the Open Offer Shares is withdrawn by the Company and/or refused by the Stock Exchange.

UNDERWRITING AGREEMENT

China Assets is entitled by a notice in writing to rescind the Underwriting Agreement prior to 4:00 p.m. on the Settlement Date if any material breach of any of the warranties comes to the knowledge of China Assets. Any such notice shall be served prior to 4:00 p.m. on the Settlement Date.

If, prior to 4:00 p.m. on the Settlement Date, any such notice as is referred to above is given by China Assets, the obligations of both parties under the Underwriting Agreement (without prejudice to any rights of either party in respect of any breach prior to such termination which shall remain in full force and effect) shall terminate forthwith.

If China Assets terminates the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF RISKS OF DEALING IN THE SHARES

THE OPEN OFFER IS SUBJECT TO CERTAIN CONDITIONS INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE OPEN OFFER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM. IF THE APPROVAL OF THE OPEN OFFER AT THE EGM IS NOT OBTAINED, THE OPEN OFFER WILL NOT PROCEED.

ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING SHARES IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES. ANY PERSON WHO IS IN ANY DOUBT ABOUT HIS/HER/ITS POSITION OR ANY ACTION TO BE TAKEN IS RECOMMENDED TO CONSULT HIS/HER/ITS OWN PROFESSIONAL ADVISER(S). ANY SHAREHOLDER OR OTHER PERSON DEALING IN THE SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS TO WHICH THE OPEN OFFER IS SUBJECT ARE FULFILLED WILL ACCORDINGLY BEAR THE RISK THAT THE OPEN OFFER MAY NOT PROCEED.

LETTER FROM THE BOARD



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

Directors:

Mr. Lo Yuen Yat (*Chairman*)
Mr. Xin Shulin
Mr. Yeung Wai Kin
Ms. Lao Yuanyuan
Mr. Kwok Lam Kwong, Larry, *S.B.S., J.P.**
Prof. Woo Chia-Wei**
Mr. Liu Ji**
Mr. Yu Qihao**
Mr. Zhou Xiaohe**
Mr. Li Zhiyun**

Registered Office:

Room 1903, Wing On House
71 Des Voeux Road Central
Hong Kong

* *Non-executive Director*

** *Independent non-executive Director*

31 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER
ON THE BASIS OF TWO OPEN OFFER SHARES
FOR EVERY FIVE SHARES HELD ON THE RECORD DATE
UNDERWRITTEN BY CONNECTED PERSON
(2) CONNECTED TRANSACTION IN RELATION TO THE
UNDERWRITING AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

In the Announcement, the Company disclosed amongst other things that it proposed to make the Open Offer. The purpose of this circular is to give you further details of the Open Offer and notice of the extraordinary general meeting of the Company to consider and, if thought fit, approve it.

LETTER FROM THE BOARD

PROPOSED OPEN OFFER

The Company proposes by way of the Open Offer on the basis of two Open Offer Shares for every five Shares in issue held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.11 each, to raise gross proceeds of approximately HK\$68.8 million (assuming no changes in the share capital of the Company on or before the Record Date) by issuing a total of 625,908,544 Open Offer Shares. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$64.7 million (assuming no change in the share capital of the Company on or before the Record Date) and the net Subscription Price per Open Offer Share is estimated to be approximately HK\$0.103.

Issue statistics

Basis of the Open Offer	:	Two (2) Open Offer Shares for every Five (5) Shares held by the Shareholders on the Record Date
Subscription Price	:	HK\$0.11 per Open Offer Share
Number of Shares in issue at the Latest Practicable Date	:	1,564,771,361 Shares
Number of Open Offer Shares	:	625,908,544 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Number of Open Offer Shares to be applied for by the Undertaking Providers	:	Pursuant to the Irrevocable Undertakings, the Undertaking Providers have irrevocably undertaken to the Company (i) that the aggregate 544,178,908 Shares beneficially owned by them will remain beneficially owned by them before the date when the announcement of the results of the Open Offer is published; (ii) to apply or procure application for their respective assured allotments in full under the Open Offer (for an aggregate of 217,671,560 Open Offer Shares); and (iii) to lodge or procure lodgment of the Application Forms in respect of those assured allotments accompanied by appropriate remittances which are honoured on first presentation and otherwise comply with the procedures for application prior to the Latest Time for Application

LETTER FROM THE BOARD

Number of Shares to be in issue upon completion of the Open Offer	:	Up to 2,190,679,905 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date and that no new Shares other than the Open Offer Shares are allotted and issued on or before completion of the Open Offer)
Funds to be raised before expenses	:	Approximately HK\$68.8 million
Number of Underwritten Shares	:	408,236,984 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date), being the total number of Open Offer Shares less the 217,671,560 Open Offer Shares in the assured allotments that are the subject of the Irrevocable Undertakings
Underwriter	:	China Assets, a substantial shareholder and a connected person of the Company, which is ultimately beneficially owned as to 40% by Mr. Lo, an executive Director, 30% by his brother, Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng, whose principal business is investment holding, and the ordinary course of business of which does not include underwriting

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue any new Shares and any other securities except the Open Offer Shares before completion of the Open Offer and the General Offer. Assuming no changes in the share capital of the Company on or before the Record Date, the number of 625,908,544 Open Offer Shares to be issued pursuant to the Open Offer represent approximately 40.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 28.6% of the total number of issued Shares as enlarged immediately upon the completion of the Open Offer (assuming all the Open Offer Shares will be taken up).

The Subscription Price

The Subscription Price of HK\$0.11 per Open Offer Share is payable in full by a Qualifying Shareholder upon application for Open Offer Shares under the Open Offer. The Subscription Price represents:

- (i) a premium of approximately 4.8% over the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a discount of approximately 12.0% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 9.8% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.122;
- (iv) a discount of approximately 10.6% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.123;
- (v) a discount of approximately 12.7% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126;
- (vi) a discount of approximately 3.2% to the theoretical ex-entitlement price of approximately HK\$0.121 per Share based on the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares; and
- (vii) a discount of approximately 92.6% to the audited consolidated net asset value per Share attributable to the Shareholders at 31 December 2022 of approximately HK\$1.481 per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$2,316.79 million as at 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 and 1,564,771,361 Shares as at the Latest Practicable Date.

Based on the closing price on the Last Trading Day of approximately HK\$0.125 per Share, the theoretical ex-entitlement price would be approximately HK\$0.121 per Share, hence there would be a theoretical value dilution of approximately 3.2%.

The terms of the Open Offer, including the Subscription Price, were determined by the Board with reference to (i) the prevailing market prices of the Shares; (ii) the Group's current financial position; and (iii) proposed use of proceeds detailed in the paragraphs headed "Reasons for the Open Offer" and "Use of Proceeds" below.

The Open Offer Shares will be offered to all Qualifying Shareholders and each Qualifying Shareholder will be entitled to apply for the Open Offer Shares at the same price with an assured allotment in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (including members of the Open Offer Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement and of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Open Offer

The Open Offer is conditional upon, among other things, (i) the obtaining of the Independent Shareholders' approval and (ii) the Underwriting Agreement becoming unconditional and not being terminated. Details of the Underwriting Agreement are set out below.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated, the Open Offer will not proceed.

Basis of assured allotments

Under the Open Offer, the basis of assured allotments will be two (2) Open Offer Shares for every five (5) Shares held by Shareholders at the close of business on the Record Date.

Fractional assured allotments

Open Offer Shares in assured allotments will be rounded down to the nearest whole number. No fractional Shares will be issued under the Open Offer. All fractions of Open Offer Shares will be aggregated and first offered for placing by the Placing Agent under the Compensatory Arrangements (see the paragraphs headed "Procedures in respect of the Unsubscribed Shares and the Compensatory Arrangements" below) to Independent Third Parties and, if not successfully placed out, will be taken up by China Assets pursuant to the terms of the Underwriting Agreement.

Status of the Open Offer Shares

The Open Offer Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Open Offer Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 5 October 2023.

LETTER FROM THE BOARD

The Company expects to send the Prospectus Documents to Qualifying Shareholders on or before 25 October 2023. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus only to Non-Qualifying Shareholders (if any) for information. Non-Qualifying Shareholders will not be entitled to apply under the Open Offer.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

At the Latest Practicable Date, the Company had 58 Overseas Shareholders with registered addresses situated in 15 jurisdictions.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Board will make enquiries regarding the feasibility of extending the Open Offer to Overseas Shareholders. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Open Offer Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer Shares will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

Overseas Shareholders should note that they may or may not be entitled to participate in the Open Offer, subject to the results of enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

Procedures in respect of the Unsubscribed Shares and Compensatory Arrangements

Pursuant to Rule 7.26A(2) of the Listing Rules, as China Assets, a substantial Shareholder and a connected person of the Company, acts as Underwriter of the Open Offer, the Company has made arrangements of the type described in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares by offering such Unsubscribed Shares to independent placees for the benefit of the relevant No Action Shareholders.

Any Unsubscribed Shares (which comprise (i) the fractional Open Offer Shares aggregated as mentioned above; (ii) the Open Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (iii) Open Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders) will be first placed by the Placing Agent under the Compensatory Arrangements to investors which, and the ultimate beneficial owners of which, are not Shareholders and are otherwise Independent Third Parties and, if not successfully placed out, will be taken up by China Assets pursuant to the Underwriting Agreement.

LETTER FROM THE BOARD

The Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares at a price at least equal to the Subscription Price to independent placees on a “best efforts” basis, and any Net Gain that may be realised will be paid to No Action Shareholders and the Company as described below.

Details of the Compensatory Arrangements under the Placing Agreement are summarised below:

Date of Placing Agreement	:	31 July 2023
Placing Agent	:	First Shanghai Securities, a wholly-owned subsidiary of the Company
Placing commission	:	1% of the gross proceeds from the successful placement of Unsubscribed Shares
Placing price	:	A price that is at least equal to the Subscription Price
Placing Period	:	The period from the Business Day following the date on which the number of Unsubscribed Share subject to the Compensatory Arrangements is announced, (which is expected to be 14 November 2023), to the Placing End Date (which is expected to be 15 November 2023) or such other dates as may be agreed between the Placing Agent and the Company
Placees	:	The Unsubscribed Shares are expected to be placed to investors which, and the ultimate beneficial owners of which, are not Shareholders and are otherwise Independent Third Parties
Condition Precedent	:	The Placing Agreement is conditional on the Underwriting Agreement becoming unconditional and not having been terminated

No placee will become a substantial shareholder of the Company upon completion of the Placing.

LETTER FROM THE BOARD

The Placing Agent is required, on a best efforts basis during the Placing Period, to procure subscribers who are Independent Third Parties for the Unsubscribed Shares. If any Net Gain can be obtained, such Net Gain will be paid (without interest) to No Action Shareholders and the Company as set out below on pro rata basis (but rounded down to the nearest cent and subject as mentioned below):

- (i) where an assured allotment is not applied for in full, the relevant Shareholder by reference to the extent that Shares in his/her/its assured allotment are not applied for (unless that person is covered by (ii) below);
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings on the Record Date; and
- (iii) the Company where there are aggregated fractional Open Offer Shares placed, with reference to the number of the aggregated fractional Open Offer Shares as a percentage of the total Unsubscribed Shares placed.

If and to the extent in respect of any Net Gain, any No Action Shareholder becomes entitled on the basis described above to an amount of HK\$200 or more, such amount will be paid to that No Action Shareholders in Hong Kong Dollars. The Company will retain any amounts of less than HK\$200 that may otherwise to be payable to a No Action Shareholder for its own benefit.

Any unplaced Unsubscribed Shares will then be taken up by China Assets pursuant to the terms of the Underwriting Agreement.

The Placing Agent is a wholly-owned subsidiary of the Company and has confirmed that there is no other arrangement, agreement, understanding or undertaking with China Assets in relation to the Shares other than its agreement to act as the offer agent to China Assets in respect of the possible General Offer. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company on normal commercial terms with reference to prevailing market rates of commission. The Directors (including members of the Open Offer Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders, and protect the interest of the Company's Independent Shareholders, the Directors (including members of the Open Offer Independent Board Committee having taken into account the advice of the Independent Financial Adviser) consider that the Compensatory Arrangements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Given the Company has put in place Compensatory Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

Share certificates for the Open Offer Shares

Subject to fulfilment of the conditions of the Open Offer and to its proceeding, share certificates for the fully paid Open Offer Shares are expected to be posted by Friday, 17 November 2023 to those entitled thereto by ordinary post at their own risk.

Application for listing of the Open Offer Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Open Offer Shares on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Open Offer Shares will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, the Undertaking Providers are interested in an aggregate of 544,178,905 Shares (representing approximately 34.78% of the entire issued share capital of the Company as at the date of this joint announcement).

Pursuant to the Irrevocable Undertakings, each of the Undertaking Providers has irrevocably undertaken to the Company (i) to apply or procure application for and pay for all Open Offer Shares which will be in the assured allotment of Open Offer Shares in respect of the Shares beneficially owned by it; (ii) to remain the beneficial owner of those Shares at the close of business on the Record Date; and (iii) to procure that an application for the entire assured allotment in respect of those Open Offer Shares is lodged in accordance with the terms of the Prospectus Documents.

LETTER FROM THE BOARD

An aggregate of 217,671,560 Open Offer Shares are subject to the Irrevocable Undertakings.

UNDERWRITING AGREEMENT

Principal terms of the Underwriting Agreement

Date	:	31 July 2023
Parties	:	(i) the Company; (ii) China Assets, a connected person of the Company as underwriter
Number of Underwritten Shares	:	408,236,984 Shares (assuming no change in the number of issued Shares from the date of the Announcement up to and including the Record Date), being the expected total number of the Open Offer Shares less 217,671,560 Open Offer Shares which will be in the assured allotment relating to Shares beneficially owned by the Undertaking Providers
Commission	:	2% of the gross proceeds from the subscription of the Underwritten Shares actually taken up by China Assets under the Underwriting Agreement, a commission negotiated on arm's length terms by reference to underwriting commission in similar arrangements

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and China Assets with reference to the financial position of the Group, the current and expected market conditions, and taking into consideration the intention of China Assets to facilitate the Company's fundraising efforts. The Directors (including members of the Open Offer Independent Board Committee having taken into account the advice of the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Underwriting Agreement

The Underwriting Agreement is a connected transaction of the Company and is conditional upon the fulfilment of the following conditions:

- (i) the passing in extraordinary general meeting of resolutions voted on only by the Independent Shareholders to approve the Open Offer and the Underwriting Agreement in accordance with the Listing Rules;
- (ii) the registration by, and filing of the Prospectus Documents with, the Registrar of Companies in Hong Kong;
- (iii) compliance by the Company with its undertakings and obligations under the Underwriting Agreement;
- (iv) compliance by each Undertaking Provider with its obligations under its Irrevocable Undertakings; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Open Offer Shares and such listing and permission to deal not having been withdrawn or revoked before the expected first day of dealings.

None of the conditions is waivable by parties to the Underwriting Agreement. In the event that the conditions above have not been satisfied at or before 4:00 p.m. on the Settlement Date (or, in each case, such later time or date as China Assets and the Company may agree), all liabilities of the parties thereto shall cease and neither party shall have any claim against the other.

The Company will use all reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and do all the things required to be done by it pursuant to the Prospectus Documents or otherwise necessary to give effect to the Open Offer and the arrangements contemplated by the Underwriting Agreement.

The major benefit expected to accrue to the Company as a result of the Underwriting Agreement is that it will ensure the Company raises all the capital it seeks in the Open Offer.

Given the prevailing poor market sentiment, that there was a poor response to the Company's last open offer, which closed in December 2021 and was under-subscribed by approximately 59.1%, and that turnover of trading in the Shares is thin, the Director consider it unlikely that a third party underwriter would be willing to underwrite the Open Offer unless for a much higher underwriting commission and on other terms commercially unacceptable to the Company, and did not approach independent parties for the underwriting.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

China Assets is entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (i) in the reasonable opinion of China Assets, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of China Assets materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which, for this purpose, includes a change in the system under which the value of the Hong Kong currency is pegged to the currency of the United States of America) occurs which in the reasonable opinion of China Assets makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) the Company's application to the Stock Exchange for listing of and permission to deal in the Open Offer Shares is withdrawn by the Company and/or refused by the Stock Exchange.

LETTER FROM THE BOARD

China Assets is entitled by a notice in writing to rescind the Underwriting Agreement prior to 4:00 p.m. on the Settlement Date if any material breach of any of the warranties comes to the knowledge of China Assets. Any such notice shall be served prior to 4:00 p.m. on the Settlement Date.

If, prior to 4:00 p.m. on the Settlement Date, any such notice as is referred to above is given by China Assets, the obligations of both parties under the Underwriting Agreement (without prejudice to any rights of either party in respect of any breach prior to such termination which shall remain in full force and effect) shall terminate forthwith.

If China Assets terminates the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF RISKS OF DEALING IN THE SHARES

THE OPEN OFFER IS SUBJECT TO CERTAIN CONDITIONS INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE OPEN OFFER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM. IF THE APPROVAL OF THE OPEN OFFER AT THE EGM IS NOT OBTAINED, THE OPEN OFFER WILL NOT PROCEED.

ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING SHARES IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES. ANY PERSON WHO IS IN ANY DOUBT ABOUT HIS/HER/ITS POSITION OR ANY ACTION TO BE TAKEN IS RECOMMENDED TO CONSULT HIS/HER/ITS OWN PROFESSIONAL ADVISER(S). ANY SHAREHOLDER OR OTHER PERSON DEALING IN THE SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS TO WHICH THE OPEN OFFER IS SUBJECT ARE FULFILLED WILL ACCORDINGLY BEAR THE RISK THAT THE OPEN OFFER MAY NOT PROCEED.

FUND RAISING EXERCISES IN PRECEDING TWELVE-MONTHS

The Company has not conducted any fund-raising activity in the twelve months immediately prior to the date of the Announcement.

LETTER FROM THE BOARD

EFFECT OF THE OPEN OFFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Beneficial Shareholder	(i) At the Latest Practicable Date		(ii) Immediately after completion of Open Offer assuming application for full assured allotments		(iii) Immediately after completion of Open Offer assuming no application by Qualifying Shareholders (other than Undertaking Providers) and all Unsubscribed Shares placed to Independent Third Parties under the Compensatory Arrangements		(iv) Immediately after completion of Open Offer assuming no application by Qualifying Shareholders (other than Undertaking Providers) and no Independent Third Parties take up the Unsubscribed Shares and all Unsubscribed Shares taken up by China Assets under the Underwriting Agreement	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Lo	115,217,218	7.36	161,304,105	7.36	161,304,105	7.36	161,304,105	7.36
Kinmoss ⁽¹⁾	85,138,236	5.44	119,193,530	5.44	119,193,530	5.44	119,193,530	5.44
New Synergies ⁽²⁾	252,082	0.02	352,914	0.02	352,914	0.02	352,914	0.02
China Assets ⁽³⁾	328,029,445	20.96	459,241,223	20.96	459,241,223	20.96	867,478,207	39.59
Mr. Yeung ⁽⁴⁾	15,541,924	1.00	21,758,693	1.00	21,758,693	1.00	21,758,693	1.00
The Lo Parties including China Assets and parties acting in concert with them	544,178,905	34.78	761,850,465	34.78	761,850,465	34.78	1,170,087,449	53.41
Mr. Zhou Xiaohu ⁽⁵⁾	160,000	0.01	224,000	0.01	160,000	0.01	160,000	0.01
Independent places	—	—	—	—	408,236,984	18.63	—	—
Public Shareholders	<u>1,020,432,456</u>	<u>65.21</u>	<u>1,428,605,440</u>	<u>65.21</u>	<u>1,020,432,456</u>	<u>46.58</u>	<u>1,020,432,456</u>	<u>46.58</u>
	<u>1,564,771,361</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>

Notes:

- (1) 100% of the issued share capital of Kinmoss is owned by Mr. Lo.
- (2) The issued share capital of New Synergies is owned as to 40% by Mr. Lo, 30% by his brother Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng.
- (3) 100% of the issued share capital of China Assets is owned by New Synergies.

LETTER FROM THE BOARD

- (4) Mr. Yeung is an executive Director, the chief financial officer and company secretary of the Company. Solely by reason of presumption class (6) in the definition of “acting in concert” in the Takeovers Code, Mr. Yeung as a Director, is presumed to be a party acting in concert with Mr. Lo.
- (5) Mr. Zhou Xiaohu is an independent non-executive Director of the Company.

If no Qualifying Shareholder (other than the Undertaking Providers) takes up Open Offer Shares and no Unsubscribed Shares are placed to independent places and China Assets is required to take up all the Underwritten Shares, the shareholding of the existing public Shareholders will be reduced from approximately 65.21% at the Latest Practicable Date to approximately 46.58%, and the shareholding of the Lo Parties including China Assets and persons acting in concert with them would be increased from approximately 34.78% at the Latest Practicable Date to approximately 53.41%, on completion of the Open Offer, the Compensatory Arrangements and the Underwriting Agreement.

If a Qualifying Shareholder does not subscribe for its assured allotment in full under the Open Offer, its proportionate shareholding in the Company will be diluted.

REASONS FOR THE OPEN OFFER

The Group has the following operating segments

- Financial services, including securities investment, securities broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management.
- Property development and hotels, including property development, property investment, property management and hotel and golf operation.
- Other businesses, including medical and healthcare businesses and direct investment.

The Board has considered various means of fund raising other than an open offer, such as debt financing or rights issue, and placing of new Shares, before resolving to propose the Open Offer. The Board considers that further debt financing in a time of rising interest rates would result in an additional interest burden and higher gearing ratio, which is not beneficial to the Group. A placing of new Shares would not allow Shareholders to participate in the fund-raising exercise and their respective shareholdings in the Company would be diluted without them being offered an opportunity to maintain their proportionate interests in the Company. A rights issue would allow Shareholders the opportunity to maintain their pro-rata shareholdings, as does the Open Offer. Unlike the Open Offer, a rights issue would allow the trading of rights entitlements, but the Directors are of the view that the interests of Shareholders who choose not to participate in full in the Open Offer will be protected by the Compensatory Arrangements.

LETTER FROM THE BOARD

Although a rights issue, in contrast to an open offer, would provide an option to those Shareholders who do not wish to take up their entitlements to sell their nil-paid rights, a rights issue would involve extra administrative work and cost in preparation, printing, and posting, and processing of trading of nil-paid rights. The Company would also need to expend resources to administer trading of the nil-paid rights including communications between the Company and other parties such as the Registrar. In addition, given the thin turnover of trading in the Shares, there may be no active market in nil-paid rights. The Board considers raising funds by way of the Open Offer is more cost-effective and efficient than a rights issue.

As at 30 June 2023, the Group had outstanding bank borrowings of approximately HK\$185.6 million which are repayable between July 2023 and December 2029 of which HK\$120.7 million and HK\$17.4 million in aggregate are repayable in 2023 and 2024 respectively.

Taking into account the capital needs and the financial position of the Group and in particular the additional capital to be raised by way of the Open Offer (the net proceeds of which represents approximately 35% of the outstanding bank borrowings of the Group as at 30 June 2023) will strengthen the financial position of the Group and alleviate the financial burden of the Group when the short-term borrowings of the Group fall due.

Although the Subscription Price represents an approximately 12% discount to the closing price of the Shares on the Last Trading Day, an approximately 92.6% discount to the audited consolidated net asset value per Share, the proceeds will mainly be used to repay a loan owed to China Assets, a substantial shareholder, there is no specific plan or urgency for the use of the balance of the proceeds (HK\$32.3 million) as described below and the Company's share price dropped from HK\$0.18 on 3 January 2023 to HK\$0.125 on the Last Trading Day, the Board considers that the Open Offer is fair and reasonable for the Company and its Shareholders taking into account (i) all Shareholders have equal opportunity to participate in the Open Offer at the same Subscription Price; (ii) the declining trend in the market price of the Shares; and (iii) the continued troubled equity markets and ongoing inflation. The Board consider equity fund raising is likely to become more difficult in the foreseeable future and it is in the interests of the Company and its Shareholders to raise capital now to provide the Group with cash to fund its development plan as described below.

LETTER FROM THE BOARD

USE OF PROCEEDS

The gross proceeds from the Open Offer are expected to be approximately HK\$68.8 million. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$64.7 million. The net Subscription Price per Open Offer Share is thus expected to be approximately HK\$0.103. The Company intends to apply (i) approximately HK\$32.4 million to repay a loan of HK\$30.0 million plus interest accrued but unpaid (which at the Latest Practicable Date amounted to approximately HK\$32.4 million owed to China Assets details of which are set out below and which was payable on 24 August 2023 but has been rolled over so that repayment will now fall due on 30 November 2023, and (ii) approximately HK\$32.3 million to finance the further development of the financial services business.

The loan in the principal amount of HK\$30.0 million was advanced by China Assets pursuant to a loan agreement dated 24 August 2021 and was payable three months after drawdown but has been repeatedly rolled over, most recently on 8 August 2023, so that repayment will now fall due on 30 November 2023. The loan is unsecured and carries interest at the rate of 4% per annum. Its purpose was to fund working capital of the Group, including the operation of its medical and healthcare business. The amount payable on repayment of the loan on 30 November 2023 is expected to be approximately HK\$32.7 million.

The development plan of the financial services business includes general development of more funds products in the asset management business and further investment in IT systems to enhance trading and settlement capability. No specific items of expenditure have yet been decided.

LISTING RULES IMPLICATIONS

China Assets, a substantial Shareholder, a connected person of the Company and one of the Lo Parties, which together with the other Lo Parties, beneficially owns in aggregate 528,636,981 Shares representing approximately 33.78% of the Shares in issue at the Latest Practicable Date. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Open Offer Shares will not be issued pursuant to a general mandate of the Company, pursuant to Rule 7.24A(1) of the Listing Rules, amongst other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Open Offer. The Lo Parties are the controlling shareholder of the Group and shall abstain from voting at the EGM on those resolutions. Mr. Yeung will also abstain from voting at the EGM on the resolution.

LETTER FROM THE BOARD

POSSIBLE MANDATORY CASH GENERAL OFFER

At the Latest Practicable Date, the Company had 1,564,771,361 Shares in issue. Upon completion of the Open Offer, the Compensatory Arrangements and the Placing Agreement and the Underwriting Agreement (assuming no changes in the share capital of the Company on or before the Record Date), the Company will have 2,190,679,905 Shares in issue. There were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue at the Latest Practicable Date.

At the Latest Practicable Date, China Assets, and its ultimate beneficial owners, together with the parties acting in concert with any of them beneficially own in aggregate, 544,178,905 Shares, representing approximately 34.78% of the Shares in issue at the Latest Practicable Date, which is not less than 30% and not more than 50%. Therefore, China Assets, its ultimate beneficial owners together with parties acting in concert with any of them are subject to the 2% “creeper rule” under Rule 26.1(d) of the Takeovers Code. Mr. Yeung and Mr. Zhou Xiaohe are the only Directors other than Mr. Lo who beneficially own Shares.

Upon Completion of the Open Offer, the Compensatory Arrangements and the Placing Agreement and the Underwriting Agreement (assuming no changes in the share capital of the Company on or before the Record Date), China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them may increase their shareholding in the Company from approximately 34.78% by more than 2%, to approximately 53.41%. If that happens then pursuant to Rule 26.1 of the Takeovers Code, China Assets will be obliged to make an offer in cash for the General Offer Shares.

Subject to and conditional upon China Assets becoming obliged to make the General Offer, First Shanghai Securities will make the General Offer on behalf of China Assets in compliance with the Takeovers Code on terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code, on the following basis:

The General Offer

For each General Offer Share HK\$0.11 in cash

The General Offer Price of HK\$0.11 per General Offer Share under the General Offer is the same as the Subscription Price. Certain price comparisons are set out in the paragraph “Subscription Price” under the section headed “Proposed Open Offer” above.

LETTER FROM THE BOARD

Pre-conditions to, and Conditions of, the General Offer

The making of the General Offer is subject to and conditional upon completion of the Open Offer, the Compensatory Arrangements and the Placing Agreement and the Underwriting Agreement resulting in the number of votes attached to Shares owned and controlled by China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them increasing by more than 2% from the percentage being approximately 34.78% currently owned or controlled by them.

Depending on the level of successful applications under the Open Offer, the results of the Compensatory Arrangements, the Placing Agreement and the number of Underwritten Shares taken up by China Assets, the aggregate shareholding of China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them may vary. The aggregate shareholding of China Assets, its ultimate beneficial owners and parties acting in concert with any of them is expected to be less than 50% of the then issued share capital immediately after completion of the Open Offer, the Compensatory Arrangements and the Underwriting Agreement and if so, the General Offer (if required) when made, will be conditional only on acceptances being received in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the General Offer, will result in China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them holding more than 50% of the voting rights in the Company. If the aggregate shareholding exceeds 50%, the General Offer will be unconditional in all respects at the outset.

Further announcements will be made in this regard if and when appropriate.

Total value of the Underwriting Agreement and the General Offer

Under the Open Offer, there will be a maximum of 408,236,984 Underwritten Shares in aggregate. Based on the Subscription Price of HK\$0.11 per Open Offer Share, the maximum aggregate cash consideration payable by China Assets under the Open Offer for the 408,236,984 Underwritten Shares will be approximately HK\$44.9 million. On this basis, the total number of the then issued Shares which will be subject to the General Offer is 1,020,592,456 Shares (being the number of Shares expected to be in issue after the Open Offer other than those already owned or agreed to be acquired by China Assets and its ultimate beneficial owners and parties acting in concert with any of them). Based on the General Offer Price of HK\$0.11 per Share, the maximum amount payable by China Assets under the General Offer for 1,020,592,456 Shares will be approximately HK\$112.3 million. Accordingly, the total funds that may be required for the Open Offer Shares that are the subject of the Irrevocable Undertakings of Lo Parties, the Underwritten Shares under the Open Offer and the General Offer will be approximately HK\$180.5 million in aggregate as follows:

– for the Irrevocable Undertakings of Lo Parties:	HK\$23.3 million
– for the Underwriting Agreement:	HK\$44.9 million
– for the General Offer:	HK\$112.3 million

LETTER FROM THE BOARD

An aggregate of 217,671,560 Open Offer Shares are subject to the Irrevocable Undertakings by the Lo Parties and Mr. Yeung. The gross proceeds of these Open Offer Shares are expected to amount to approximately HK\$23.9 million.

Confirmation of financial resources

China Assets intends to finance the maximum amount of cash payments payable under the Underwriting Agreement (i.e. for 408,236,984 Underwritten Shares) and the General Offer (i.e. for 1,020,592,456 Shares) in an expected total sum of approximately HK\$157.2 million from its internal resources.

First Shanghai Capital Limited, the financial adviser to China Assets in respect of the General Offer, is satisfied that the Lo Parties including China Assets have sufficient financial resources available to them to satisfy their funding needs for the full implementation of the Underwriting Agreement and the General Offer in accordance with their respective terms.

China Assets confirms and First Shanghai Capital Limited has ascertained that the Lo Parties have sufficient internal financial resources, and will maintain such financial resources, for the full settlement of cash payments payable under the Open Offer in respect of the Irrevocable Undertakings made by them (i.e. approximately HK\$23.3 million for 211,454,791 Open Offer Shares).

TAKEOVERS CODE IMPLICATIONS

The General Offer

The making of the General Offer is subject to and conditional on the results of the Open Offer, the Compensatory Arrangements and the Placing Agreement and the Underwriting Agreement and to China Assets becoming obliged to extend it under the Takeovers Code.

Depending on the level of subscriptions under the Open Offer, the results of the Compensatory Arrangements and the number of Underwritten Shares taken up by China Assets, the aggregate shareholding of China Assets, its ultimate beneficial owners and parties acting in concert with any of them may vary. The aggregate shareholding of China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them at the Latest Practicable Date is approximately 34.78%, being less than 50% of the issued share capital. If the Open Offer, the Compensatory Arrangements, the Placing Agreement and the number of Underwritten Shares taken up by China Assets result in the number of votes attached to Shares owned and controlled by China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them increasing by more than 2%, the General Offer must be made. The General Offer, if and when made, will be conditional on acceptances being received in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the General Offer, will result in China Assets and its ultimate beneficial owners,

LETTER FROM THE BOARD

together with parties acting in concert with any of them holding more than 50% of the voting rights in the Company unless they then hold more than 50%, in which case it will be unconditional in all respect at the outset.

INDEPENDENT SHAREHOLDERS' APPROVAL

The EGM, notice of which is set out in this circular will be convened and held to consider and, if considered fit, approve the Open Offer, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder.

At the Latest Practicable Date, China Assets (which is ultimately beneficially owned as to 40% by Mr. Lo and 30% by his brother Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng) owns 328,029,445 Shares (representing approximately 20.96% of the Shares in issue). Parties acting in concert with China Assets including the other Lo Parties and Mr. Yeung together held or controlled a total of 216,149,460 Shares (representing approximately 13.82% of the Shares in issue) at the Latest Practicable Date. Other than Mr. Lo and Mr. Yeung, there is one Director, namely Mr. Zhou Xiaohe, holding 160,000 Shares (representing approximately 0.01% of the Shares in issue) at the Latest Practicable Date. China Assets and its ultimate beneficial owners and parties acting in concert with any of them in aggregate own or control 544,178,905 Shares (representing approximately 34.78% of the Shares in issue) at the Latest Practicable Date. Only Independent Shareholders are allowed to vote and the Lo Parties and Mr. Yeung will abstain from voting on the relevant resolutions to be proposed at the EGM.

Mr. Lo abstained from voting on (and was not counted in the quorum for) the Board resolutions approving the Open Offer and the Underwriting Agreement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 September 2023 to 22 September 2023 (both dates inclusive) to determine qualifications for attendance and voting at the EGM. No transfer of Shares will be registered during this period.

The register of members of the Company will be closed from 6 October 2023 to 12 October 2023 (both dates inclusive) to determine entitlements to participate in the Open Offer. No transfer of Shares will be registered during this period.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established the Open Offer Independent Board Committee, comprising all the independent non-executive Directors, namely Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qihao, Mr. Zhou Xiaohe and Mr. Li Zhiyun to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and as to the voting action therefor.

LETTER FROM THE BOARD

The Company has established the General Offer Independent Board Committee, comprising Mr. Kwok Lam Kwong Larry, the non-executive director, and all the independent non-executive Directors, namely Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qihao, Mr. Zhou Xiaohe and Mr. Li Zhiyun to advise the Independent Shareholders in respect of the terms of the General Offer and as to acceptance of the General Offer which advice will be set out in the Composite Document.

The Independent Financial Adviser has been appointed to (i) advise the Open Offer Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and as to voting; and (ii) advise the General Offer Independent Board Committee in respect of the terms and as to acceptance of the General Offer and in particular as to whether the General Offer is, or is not, fair and reasonable. The appointment of the Independent Financial Adviser has been approved by the General Offer Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF COMPOSITE DOCUMENT

Pursuant to the Takeovers Code, China Assets is required, within 21 days after the date of the Announcement or such later date as the Executive may approve, to despatch an offer document in relation to the General Offer and the Company is required to send to the Shareholders within 14 days of the posting of the offer document, a response document containing, among other things, financial information of the Company and the information required under the Takeovers Code, together with any other information the Company considers to be relevant to enable Shareholders to reach a properly-informed decision on the General Offer.

At the Latest Practicable Date it is not known if and when China Assets will become obliged to make the General Offer and it is the intention of China Assets and the Board that the offer document and the offeree board circular in respect of the General Offer (if it is required) will be combined in the Composite Document. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the consent of the Executive is required if the making of the General Offer is subject to the prior fulfilment of certain pre-conditions and the pre-conditions cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code.

The making of the General Offer is conditional upon the results of the Open Offer, the Compensatory Arrangements and the Underwriting Agreement and an application has been made to the Executive to extend the deadline for the despatch of the Composite Document, together with the forms of acceptance and transfer, to a date within seven days of upon the Open Offer, the Compensating Arrangements and the Underwriting Agreement being unconditional. Further announcements will be made in this regard.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders of and potential investors in the Company should note that the Open Offer is conditional upon the fulfillment of certain conditions and the General Offer will only be made after the results of the Open Offer, the Compensatory Arrangements and the underwriting under the Underwriting Agreement are known and show that an obligation to make the General Offer has arisen. Accordingly, the Open Offer may or may not take place and the General Offer may or may not proceed.

Shareholders and potential investors should also note that the General Offer Independent Board Committee has yet to consider and evaluate the General Offer. The Directors express no opinion as to the fairness or reasonableness of the General Offer and make no recommendation as to the acceptance of the General Offer and strongly recommend the Shareholders not to form a view on the General Offer unless and until they have received and read the Composite Document, including the recommendations of the General Offer Independent Board Committee in respect of the General Offer and a letter of advice from the Independent Financial Adviser.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt about their position, they should consult their own professional advisers.

EXTRAORDINARY GENERAL MEETING

Notice of the EGM is on pages N-1 to N-3 of this circular.

Under the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote at the EGM in accordance with Article 60 of the Articles of Association of the Company. The result of the poll shall be deemed to be the resolution of the extraordinary general meeting at which the poll was demanded or required and the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.firstshanghai.com.hk).

A form of proxy for use at the EGM is enclosed. Shareholders are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon **not less than 48 hours before** the time fixed for holding the meeting, whether or not Shareholders intend to be present at the meeting. The completion and return of the form of proxy will not prevent Shareholders from attending and voting in person should they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Open Offer Independent Board Committee set out on pages 40 to 41 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages 42 to 63 of this circular which contains its advice to the Open Offer Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Placing Agreement.

Your attention is also drawn to the additional information set out in the Appendices to this circular.

The Directors consider that the Open Offer is in the interest of the Company and shareholders as a whole and recommend Shareholder to vote in favour of the resolution to be proposed at the EGM.

Yours faithfully,
By order of the Board
FIRST SHANGHAI INVESTMENTS LIMITED
LO Yuen Yat
Chairman

LETTER FROM OPEN OFFER INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Open Offer Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

31 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER
ON THE BASIS OF TWO OPEN OFFER SHARES
FOR EVERY FIVE SHARES HELD ON THE RECORD DATE
UNDERWRITTEN BY CONNECTED PERSON
AND
(2) CONNECTED TRANSACTION IN RELATION TO THE
UNDERWRITING AGREEMENT**

INTRODUCTION

We refer to the circular of the Company dated 31 August 2023 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Open Offer Independent Board Committee to advise the Independent Shareholders as to whether the Open Offer, the Underwriting Agreement and the Placing Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the respective transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the Open Offer Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are

LETTER FROM OPEN OFFER INDEPENDENT BOARD COMMITTEE

contained in its letter set out in the section headed “Letter from Independent Financial Adviser” of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the Circular.

RECOMMENDATION

Having considered the terms of the Open Offer, the Underwriting Agreement and the Placing Agreement and the advice and recommendations of the Independent Financial Adviser as contained in its letter set out the section headed “Letter from Independent Financial Adviser” of the Circular, we consider that the Open Offer, the Underwriting Agreement and the Placing Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the respective transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the Placing Agreement and the respective transactions contemplated thereunder.

Yours faithfully,

The Open Offer Independent Board Committee of
First Shanghai Investments Limited

Prof. Woo Chia-Wei Mr. Liu Ji Mr. Yu Qihao Mr. Zhou Xiaohe Mr. Li Zhiyun
Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Open Offer Independent Board Committee and the Independent Shareholders in relation to the Open Offer, Placing Agreement and Underwriting Agreement for the purpose of incorporation into this Circular.



Capital 9 Limited

31 August 2023

*To the Open Offer Independent Board Committee and the Independent Shareholders of
First Shanghai Investments Limited*

Dear Sir/Madam,

**(1) PROPOSED OPEN OFFER BY
FIRST SHANGHAI INVESTMENTS LIMITED
ON THE BASIS OF TWO OPEN OFFER SHARES
FOR EVERY FIVE SHARES
HELD ON THE RECORD DATE
UNDERWRITTEN BY CONNECTED PERSON; AND
(2) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Open Offer Independent Board Committee and the Independent Shareholders in respect of the Open Offer, Placing Agreement and Underwriting Agreement, particulars of which are set out in the section headed “Letter from the Board” (the “Letter from the Board”) contained in the circular of the Company dated 31 August 2023 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement jointly issued by the Company and China Assets dated 3 August 2023 (the “Joint Announcement”). The Company proposes by way of the Open Offer on the basis of two Open Offer Shares for every five Shares in issue held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.11 each to raise gross proceeds of approximately HK\$68.8 million (assuming no changes in the share capital of the Company on or before the Record Date) by issuing a total of 625,908,544 Open Offer Shares. The net proceeds from the Open Offer after deducting related expenses are estimated to be

LETTER FROM INDEPENDENT FINANCIAL ADVISER

approximately HK\$64.7 million (assuming no changes in the share capital of the Company on or before the Record Date) and the net Subscription Price per Open Offer Share is estimated to be approximately HK\$0.103.

The Company has made arrangements to dispose of any Unsubscribed Shares by offering such Unsubscribed Shares to independent placees who are not acting in concert with the Lo Parties, their ultimate beneficial owners and parties acting in concert with any of them, for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. Any Unsubscribed Shares will be first placed by the Placing Agent under the Compensatory Arrangements to investors which, and the ultimate beneficial owners of which, are not Shareholders and are otherwise Independent Third Parties and, if not successfully placed out, will be taken up by China Assets pursuant to the Underwriting Agreement.

On 31 July 2023 (after trading hours), the Company and China Assets entered into the Underwriting Agreement, pursuant to which China Assets has conditionally agreed to fully underwrite the Underwritten Shares, being all the Open Offer Shares excluding those that are the subject of Irrevocable Undertakings, that are not subscribed by Qualifying Shareholders or not placed by the Placing Agent or which have been placed but the placees have not paid for them at 4:00 p.m. on the Placing End Date, subject to the terms and conditions set out in the Underwriting Agreement.

As the Open Offer Shares will not be issued pursuant to a general mandate of the Company, pursuant to Rule 7.24A(1) of the Listing Rules, amongst other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates must abstain from voting in favour of the resolutions relating to the Open Offer. The Lo Parties and Mr. Yeung shall abstain from voting at the EGM on those resolutions.

China Assets, a substantial Shareholder, is a connected person of the Company and one of the Lo Parties, which together with the other Lo Parties (including Kinmoss, New Synergies and Mr. Lo), in aggregate, beneficially own 528,636,981 Shares representing approximately 33.78% of the Shares in issue at the Latest Practicable Date. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Open Offer Independent Board Committee, comprising all the independent non-executive Directors, namely Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qihao, Mr. Zhou Xiaohe and Mr. Li Zhiyun to advise the Independent Shareholders in respect of the Open Offer, Placing Agreement, Underwriting Agreement and the transactions contemplated thereunder and as to the voting action therefor. As the Independent Financial Adviser to the Open

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Offer Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Open Offer Independent Board Committee for it to advise the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Open Offer Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, (i) the annual report of the Company for the year ended 31 December 2022 (the “2022 AR”); (ii) the Joint Announcement; (iii) the Placing Agreement; (iv) the Underwriting Agreement; and (iv) other information contained in the Circular.

We have also relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and to continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions of the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to form an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts which would have material impact in formulating our opinion and recommendation to the Open Offer Independent Board Committee and the Independent Shareholders have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

The Directors collectively and individually accept full responsibility for the Circular which 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 the 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 in the Circular misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or any of its subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

As at the Latest Practicable Date, we were not aware of any relationships between us and, or any interests held by us in, the Company that could reasonably be regarded as a hindrance to our independence for the purpose of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us other than this engagement and we did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we are qualified to give independent advice in relation to the Open Offer, Placing Agreement and Underwriting Agreement.

PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Open Offer Independent Board Committee and the Independent Shareholders in respect of the Open Offer, Placing Agreement and Underwriting Agreement, we have taken into consideration the following principal reasons and factors:

(1) Information on the Group

(a) Historical financial performance

The Group is principally engaged in (i) the provision of financial services, including securities investment, security broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management; (ii) property development and hotels, including property development, property investment, hotel and golf operation; and (iii) other businesses, including medical and healthcare businesses and direct investment.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the summarised financial information of the Group for the two years ended 31 December 2021 (“FY2021”) and 2022 (“FY2022”), as extracted from the 2022 AR, and further confirmed by the Company:

Operating performance

	FY2021	FY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue , comprising	529,850	342,183
(i) Financial services	304,590	183,501
(ii) Property development	36,436	7,925
(iii) Property investment and hotel	127,935	134,056
(iv) Other businesses	60,889	16,701
Cost of sales	(226,385)	(131,848)
Gross profit	303,465	210,335
<i>Gross profit margin</i>	<i>57.3%</i>	<i>61.5%</i>
Other gains/ (losses)	10,990	(30,594)
Selling, general and administrative expenses	(390,310)	(276,407)
Finance (costs)/ income – net	(12,483)	32,853
Taxation	(60,660)	4,969
Loss for the year attributable to the Shareholders	(139,899)	(55,501)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 December	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,553,430	1,320,228
Intangible assets	2,126	2,126
Property, plant and equipment	564,406	471,935
Right-of-use assets	22,628	26,574
Investment properties	701,548	604,704
Leasehold land and land use rights	39,453	36,462
Properties under development	148,186	135,633
Deferred tax assets	1,672	204
Financial assets at fair value through other comprehensive income	72,350	40,604
Other non-current prepayments and deposits	1,061	1,986
Current assets	5,559,444	4,580,523
Inventories	356,230	355,203
Loans and advances	1,077,086	1,072,680
Trade receivables	262,584	150,217
Other receivables, prepayments and deposits	76,126	59,048
Tax recoverable	7,515	8,292
Financial assets at fair value through profit or loss	31	4,262
Deposits with banks	12,231	5,597
Client trust bank balances	3,439,418	2,678,227
Cash and bank balances	328,223	246,997
Current liabilities	4,357,863	3,362,043
Trade and other payables	4,086,649	3,150,436
Tax payables	53,562	44,741
Lease liabilities	9,911	13,269
Borrowings	207,741	153,597
Non-current liabilities	196,220	158,695
Deferred tax liabilities	80,036	60,836
Lease liabilities	12,478	14,324
Borrowings	103,706	83,278
Other non-current liabilities	—	257
Net current assets	1,201,581	1,218,480
Net assets	2,558,791	2,380,013
Gearing ratio (<i>Note</i>)	12.2%	10.0%

Note: The gearing ratio is calculated based on total borrowings divided by total equity.

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For FY2022, the Group's revenue decreased by approximately HK\$187.7 million or 35.4% to approximately HK\$342.2 million from approximately HK\$529.9 million for FY2021. As shown in the table above and stated in 2022 AR, such revenue decrease was mainly attributable to the decrease in the revenue (i) from financial services sector by approximately HK\$121.1 million for FY2022 compared to FY2021, as a result of decrease in brokerage income and margin loan interest income due to the significant pare down in trading activities, especially during the fifth wave of 2019 novel coronavirus ("COVID-19") infection; (ii) from other businesses sector by approximately HK\$44.2 million for FY2022 compared to FY2021, mainly due to the termination of the medical and health care business and closure of the medical centre in Central in April 2022; and (iii) from property development sector by approximately HK\$28.5 million for FY2022 compared to FY2021 due to reduction on overall property sales volume due to poor market sentiment.

Loss for the year attributable to Shareholders of approximately HK\$55.5 million for FY2022, representing a decrease by approximately HK\$84.4 million or 60.3% from approximately HK\$139.9 million for FY2021. Such decrease was mainly due to (i) the recognition of an accounting gain on disposal of fixed assets of the medical and healthcare business; (ii) the reduction of operation loss from the medical and healthcare business after its closure in April 2022; and (iii) no further material provision was required regarding the litigation for settlement of construction costs of the property development project in Wuxi, which was partially offset by (i) the decrease in brokerage income and margin loan interest income from financial services sector as stated above and (ii) recognition of fair value losses on investment properties held in Wuxi and Huangshan.

As to the financial position of the Group, as shown in the table above, the Group recorded net assets of approximately HK\$2,380.0 million as at 31 December 2022, representing a decrease by approximately HK\$178.8 million or 7.0% from approximately HK\$2,558.8 million as at 31 December 2021. As shown in the table above and confirmed by the Group, such decrease was mainly due to the combined effect of (i) decrease in client trust bank balances and trade receivables by approximately HK\$761.2 million and HK\$112.4 million respectively; (ii) decrease in investment properties by approximately HK\$96.8 million; (iii) decrease in property, plant and equipment by approximately HK\$92.5 million; and (iv) decrease in trade and other payables by approximately HK\$936.2 million as at 31 December 2022, compared to that as at 31 December 2021. Gearing ratio of approximately 10.0% as at 31 December 2022 was recorded by the Group, a decrease compared to approximately 12.2% as at 31 December 2021.

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(b) Prospects of the Group

As stated in the paragraph headed “Business Review and Financial and Trading Prospects” in Appendix I to the Circular, the Group expects the general economy will continue to be closely tied with the recovery path of COVID-19 pandemic and geopolitical tensions. The financial market will continue to be volatile due to the high interest rate environment and geopolitical uncertainties. The Group will maintain a cautious and proactive approach regarding the risk and credit control of its operation and business development.

While it is undeniable that the global economy faces its challenges due to the COVID-19 pandemic and the geopolitical tensions and the risks and uncertainties facing the Hong Kong market are expected to increase, the Group will continue to adopt diversified strategies so as to grasp all valuable business opportunities for the Group to advance its business in the coming years.

The Group is cautiously optimistic towards the gradual pick up of cross-border flows which adversely hindered business activities. It is the Company’s strategy to dedicate its efforts and resources to accelerate growth in a balance portfolio of major business sectors. The Group will remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

(2) Reasons for the Open Offer

(a) Imminent funding needs

The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$64.7 million. The Company intends to apply (i) approximately HK\$32.4 million to repay a loan of HK\$30.0 million plus interest of 4% per annum accrued but unpaid (which at the Latest Practicable Date amounted to approximately HK\$32.4 million) owed to China Assets, its substantial Shareholder, which was originally payable on 24 August 2023, and (ii) approximately HK\$32.3 million to finance the further development of the financial services business, including general development of more funds products in the asset management business and further investment in information technology system to enhance trading and settlement capability.

The Open Offer will not be completed by 24 August 2023 and the Company has entered into a supplemental agreement with China Assets for the extension of the loan to 30 November 2023. The amount payable on repayment on 30 November 2023 is expected to be approximately HK\$32.7 million. We have made enquiries and understood from the Company that, apart from the aforesaid loan from China Assets for use as working capital of the Group which falls due in 2023, as at 30 June 2023,

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the Group had outstanding bank borrowings of approximately HK\$185.6 million, of which approximately HK\$120.7 million will be repayable in the remaining months in 2023 as advised by the Company.

As advised by the Company, given the cash and bank balances of the Group on hand have been earmarked for specific uses, the net proceeds from the Open Offer for the aforesaid further development of financial services business is crucial to the Group as it is expected that such development would enable the Group to stay competitive although concrete timetable has not yet been fixed due to the volatile financial market as mentioned above.

In addition, as stated in 2022 AR and further confirmed by the Company, the Group will persist to play an active role to drive the digitalization and automation process of its financial services to further enhance its customer experience and operating efficiency. It shall also pursue to widen its product scope and customer base to cope with market demands to seize business opportunity in a timely manner under the rapidly changing environment.

Taking into account the capital needs and the financial position of the Group, the additional capital to be raised by way of the Open Offer will strengthen the financial position of the Group for further business development and alleviate the financial burden of the Group when the borrowings of the Group fall due.

(b) *Financial resources available*

As stated in the 2022 AR, the Group relied principally on its internal financial resources to fund its operations and investment activities. Net cash used in operating activities of approximately HK\$66.5 million was recorded by the Group for FY2022. The Group's cash and bank balances and deposits with banks amounted to approximately HK\$252.6 million in aggregate as at 31 December 2022, and of which approximately HK\$78.9 million bank balances were held in the PRC subject to local exchange control regulations, that is, being restricted from exporting from the PRC other than through normal dividends. As advised by the Company, the Group had cash and bank balances, excluding those held in trust accounts, of approximately HK\$263.0 million as at 30 June 2023, which has been used or reserved for specific uses, such as bank pledge, operation needs and/or capital expenditure requirement in Hong Kong as a licensed corporation, operation in mainland China and Paris. As announced by the Company on 3 July 2023, net proceeds of approximately HK\$35.9 million in aggregate from the two open offers completed by the Company in September 2021 and January 2022 respectively have been fully utilised for financing the medical and healthcare business of the Group.

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We have discussed and understood from the Company that its current assets other than the aforesaid cash and bank balances mainly included (i) items relating to the Group's provision of financial services such as margin loans offered to third parties and account receivables from stockbroking clients and clearing house, which could not be used by the Group; (ii) properties either under development or not expected that could be sold at a good price since outbreak of COVID-19 pandemic; and (iii) other items of which the amount was too immaterial to satisfy the needs of the Group to repay its debt which fall due in 2023 or finance the development of finance services business.

Taking in consideration of (i) the Group's financial performance for FY2022 and financial position as at 31 December 2022; (ii) that the cash and bank balances of the Group on hand have been earmarked for specific uses and the Group did not expect that it had sufficient internal resources available to finance its needs to repay its loan which fall due in 2023 and further business development of its financial services business, we concur with the Directors' view that the Group can enhance its financial position through the Open Offer by applying the net proceeds in the manner as stated above.

(c) Alternative fund-raising methods

As stated in the Letter from the Board, the Board has considered various means of fund raising other than an open offer, such as debt financing, placing of new Shares and rights issue, before resolving to propose the Open Offer.

As stated in the 2022 AR, bank and other loans were raised by the Group to meet the different demands of its property projects, as well as margin financing and direct investment business. Hence, the Board considers that further debt financing in a time of rising interest rates in Hong Kong would result in an additional interest burden and higher gearing ratio, which is not beneficial to the Group. As evidenced by the Hong Kong dollar best lending rate quoted by the Hongkong and Shanghai Banking Corporation of 5.875% on 28 July 2023, up from 5.125% on 23 September 2022, the interest rates in Hong Kong has been increasing.

As to fund raising by way of placing of new Shares, Shareholders would not be allowed to participate in the fund-raising exercise. Hence, their respective shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

Both the Open Offer and rights issue allow the Shareholders the opportunity to maintain their pro-rata shareholdings. While trading of entitlements is allowed under right issue, additional workload and cost burden would be imposed on the Group to administer such arrangement. Hence, compared to rights issue, the Open Offer is considered more cost-effective and efficient by the Company.

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Having considered the feasibility of various fund-raising methods and the pros of the Open Offer compared to alternative methods as discussed above, we concur with the Directors' view that the Open Offer is a suitable fund-raising method to the Group under the current circumstances.

(3) Principal terms of the Open Offer

(a) Summary of the key terms

Basis of the Open Offer	:	Two (2) Open Offer Shares for every five (5) Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.11 per Open Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	1,564,771,361 Shares
Number of Open Offer Shares	:	625,908,544 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Number of Open Offer Shares undertaken to be taken up by the Undertaking Providers	:	Pursuant to the Irrevocable Undertakings, the Undertaking Providers have irrevocably undertaken to the Company (i) that the aggregate 544,178,905 Shares beneficially owned by them will remain beneficially owned by them before the date when the announcement of the results of the Open Offer is published; (ii) to apply or procure application for their respective assured allotments in full under the Open Offer for an aggregate of 217,671,560 Open Offer Shares; and (iii) to lodge or procure lodgement of the Application Forms in respect of those assured allotments accompanied by appropriate remittances which are honoured on first presentation and otherwise comply with the procedures for application prior to the latest time for application

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Number of Shares to be in issue upon completion of the Open Offer	:	Up to 2,190,679,905 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares other than the Open Offer Shares are allotted and issued on or before completion of the Open Offer)
Funds to be raised before expenses	:	Approximately HK\$68.8 million
Number of Underwritten Shares	:	408,236,984 Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date), being the total number of the Open Offer Shares less the 217,671,560 Open Offer Shares in the assured allotments that are the subject of the Irrevocable Undertakings
Maximum consideration payable for the Underwritten Shares	:	Approximately HK\$44.9 million
Underwriter	:	China Assets, a substantial shareholder and a connected person of the Company, which is ultimately beneficially owned as to 40% by Mr. Lo, an executive Director, 30% by his brother, Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng, whose principal business is investment holding, and the ordinary course of business of which does not include underwriting

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue any new Shares and any other securities except the Open Offer Shares before completion of the Open Offer. Assuming no change in the share capital of the Company on or before the Record Date, the number of 625,908,544 Open Offer Shares to be issued pursuant to the Open Offer represent approximately 40.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 28.6% of the total number of issued Shares as enlarged immediately upon the completion of the Open Offer (assuming all the Open Offer Shares will be taken up).

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(b) *The Subscription Price*

As stated in the Letter from the Board, the Subscription Price was determined by the Board with reference to (i) the prevailing market prices of the Shares; (ii) the Group's current financial position; and (iii) proposed use of proceeds detailed in the paragraphs headed "Reasons for the Open Offer" and "Use of Proceeds" in the Letter from the Board.

The Subscription Price represents:

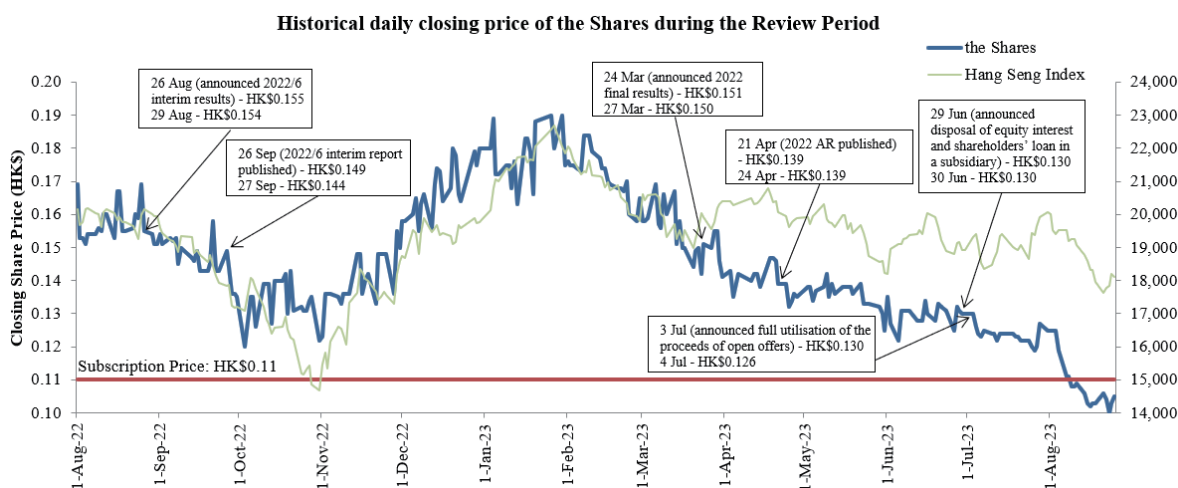
- (i) a premium of approximately 4.8% over the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 12.0% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 9.8% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.122;
- (iv) a discount of approximately 10.6% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.123;
- (v) a discount of approximately 12.7% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126;
- (vi) a discount of approximately 3.2% to the theoretical ex-entitlement price of approximately HK\$0.121 per Share based on the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares; and
- (vii) a discount of approximately 92.6% to the audited consolidated net asset value per Share attributable to the Shareholders at 31 December 2022 of approximately HK\$1.481 per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$2,316.79 million as at 31 December 2022 as extracted from the 2022 AR and 1,564,771,361 Shares as at the Latest Practicable Date.

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Based on the closing price on the Last Trading Day of approximately HK\$0.125 per Share, the theoretical ex-entitlement price would be approximately HK\$0.121 per Share, hence there would be a theoretical value dilution of approximately 3.2%.

Historical price performance of the Shares

The chart below depicts the closing price level of the Shares as quoted on the Stock Exchange from 1 August 2022 (being around 1-year before the Last Trading Day) and up to and including the Latest Practicable Date (the “Review Period”), and the comparison of the Share price performance with Hang Seng Index.



Source: Website of the Stock Exchange (www.hkex.com.hk)

We consider the length of the Review Period to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares.

As shown in the chart above, there was a decreasing trend in the closing price of the Shares from HK\$0.169 at the beginning of the Review Period on 1 August 2022 to HK\$0.12 on 3 October 2022. Then, the closing price of the Share went upward and reached HK\$0.19 on 26 January 2023, then went downward to HK\$0.119 on 26 July 2023. The price trend of the Shares was generally in line with the trend of Hang Seng Index during the Review Period as shown in the chart above. Interim or annual results announcement was published by the Company after trading hours on 26 August 2022 and 24 March 2023 respectively. The Company announced its disposal of equity interest in and shareholders' loan to a subsidiary on 29 June 2023 and full utilisation of the proceeds raised from open offers in 2021 on 3 July 2023. It is noted that the closing price of the Shares slightly decreased or remained steady after publication of the aforesaid announcements. Other than that, no particular news was announced by the Company. We have made enquiries with the management of the Company and

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understood that they were not aware of any specific reason for the aforesaid upward or downward movement in the closing price of the Shares before the trading halt on 1 August 2023. At the request of the Company, trading in the Shares was suspended from 1 August 2023 to 3 August 2023 pending the publication of the Joint Announcement. Following the resumption of trading of the Shares on 4 August 2023, the Shares went downward and closed at HK\$0.119 per Share as compared to HK\$0.125 per Share on the Last Trading Day. We reckon that such decrease in the closing price of the Shares was likely due to the market reaction to the Joint Announcement. The closing price of the Shares then moved within the range from HK\$0.100 to HK\$0.119 and closed at HK\$0.105 on the Latest Practicable Date.

Taking into account (i) it is considered reasonable and a common practice among the other Open Offers transactions as shown below to set the subscription price at a substantial discount to closing price in order to attract qualifying shareholders to take part in the Open Offer; (ii) the fair and reasonable view based on analysis of the discount of the Subscription Price to the LTD Price, the ATD Price and the Ex-entitlement Price as compared with the Comparables as shown in the paragraphs headed “Comparison with other Open Offers” below; and (iii) the financing needs of the Group as discussed above, we concur with the Company’s view that the aforesaid discounts of the Subscription Price to closing price of the Shares are fair and reasonable.

Comparison with other Open Offers

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of open offer transactions (the “Comparables”) announced by other companies listed on the Stock Exchange (except those terminated or lapsed) for the 36-month period immediately prior to the Last Trading Day (the “Comparable Review Period”) as set out below. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceives Open Offers. We also consider that the Comparable Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting Open Offer. In forming our opinion, we have taken into account the results of the below analysis together with all other factors stated in this letter as a whole.

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Date of announcement	Company name	Stock code	Basis of entitlement	Discount of offer price per open offer share to closing price per share on the last trading day prior to announcement of open offer ("LTD Price") (%)	Discount of offer price per open offer share to average closing price per share for the five consecutive trading days up to and including the last trading day ("ATD Price") (%)	Discount of offer price per open offer share to theoretical ex-entitlement price per share on LTD Price ("Ex-entitlement Price") (%)	Discount of offer price per open offer share to the latest published consolidated net asset value attributable to the shareholders per share ("NAV per share") (%)	Theoretical dilution effect (Note 1) (%)	Maximum dilution of shareholding (Note 2) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
26 Mar 2021	North Asia Strategic Holdings Limited	8080	1 for 5	14.46	18.95	16.27	83.64	3.16	16.67	N/A	No (Note 3)	2.5 (Note 6)
24 Jun 2021	National United Resources Holdings Limited	254	1 for 1	92.3	92.8	85.6	Net liabilities	46.4 (Note 5)	50.00	2	No (Note 3)	1.5
23 Jul 2021	The Company	227	1 for 5	19.4	17.9	16.7	85.3	3.0	16.67	N/A	No (Note 3)	1.0
1 Sep 2021	Du Sen Holdings Group Limited	1580	3 for 5 (Note 4)	65.52	65.22	54.55	75.76	24.57	37.50	N/A	Yes	N/A
19 Nov 2021	The Company	227	1 for 11	17.6	16.7	16.3	88.4	1.4	8.33	N/A	No (Note 3)	1
3 Aug 2023	The Company	227	2 for 5	92.3	92.8	85.6	88.4	46.4	50.00	2	No (Note 3)	1.0
				14.46	16.7	16.3	75.76	1.4	8.33	2	2.5	
				41.86	42.31	37.89	83.28	15.71	25.83	2	1.5	
				19.40	18.95	16.70	84.47	3.16	16.67	2	1.3	
				12.0	9.8	3.2	92.6	3.2	28.57	2	1	

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, or extracted from announcement, circular or prospectus in respect of the relevant open offer.
- Maximum dilution effect of each of the Comparables is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.
- The company has made an arrangement to dispose of any unsubscribed shares in compliance with Rule 7.26A(1)(b) of the Listing Rules or Rule 10.42(1)(b) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.
- The company announced a proposed open offer on the basis of one (1) offer share for every two (2) existing shares on 8 January 2021 and subsequently revised the open offer on 1 September 2021.
- Based on the benchmark price as the theoretical closing price of HK\$1.52 per consolidated share as adjusted for the effect of share consolidation of the average closing price of the last five consecutive trading days up to and including the last trading day.
- The company shall pay the placing agent the sum of (i) a fixed fee of HK\$250,000 and (ii) 2.50% of the gross proceeds from the subscription of the unsubscribed shares issued at the completion of the placing.

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According to our research, we observed that all the Comparables had set the subscription price of their open offers at a discount to (i) the LTD Price ranging from 14.46% to 92.3%; (ii) the ATD Price ranging from 16.7% to 92.8%; and (iii) the Ex-entitlement Price ranging from 16.3% to 85.6%. It indicates that it is common for listed companies to set such discounts with the view to encourage participation. The Subscription Price represented a discount of approximately 12.0%, 9.8% and 3.2% to the LTD Price, the ATD Price and Ex-entitlement Price respectively. Such discounts are lower than the respective discounts of all the Comparables.

We also noted that the offer prices to NAV per share of the Comparables ranged from a discount of 75.76% to 88.4%. The discount of 92.6% of the Subscription Price to the NAV of the Company as at 31 December 2022 is slightly higher than the high-end discount among the Comparables. As shown in the Share price performance chart above, the Shares have long been traded at a deep discount to the NAV per Share throughout the Review Period. It is also noted that the trading price of the Shares has not correlated with the NAV. This may indicate that investors might not have valued the Shares based solely on the underlying value of the Group's assets and therefore such discount is considered less representative in accessing the fairness and reasonableness of the Subscription Price, as compared to the day-to-day market value of the Shares.

Furthermore, the theoretical dilution effect of the open offers conducted by the Comparables ranged from 1.4% to 46.4% with average and median of approximately 15.71% and 3.16% respectively. The theoretical dilution effect of the Open Offer of approximately 3.2% falls within the range among the Comparables.

Taking into account that (i) the Subscription Price falls below the daily closing price per Share in the Preceding Year; (ii) a loss was recorded by the Group for FY2021 and FY2022; (iii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of an open offer at a discount to the LTD Price, the ATD Price and the Ex-entitlement Price to enhance the attractiveness of the open offer and to encourage the qualifying shareholders to take part in the open offer; (iv) while the discount of the Subscription Price to the NAV per share of the Company is slightly higher than the high-end among the Comparables, the discounts of the Subscription Price to the LTD Price, the ATD Price, the Ex-entitlement Price are lower than the respective discounts of all the Comparables; (v) the discount to NAV per Share is considered less representative in accessing the fairness and reasonableness of the Subscription Price, as compared to the day-to-day market value of the Shares; (vi) all the Qualifying Shareholders are offered an opportunity to subscribe for the Open Offer Shares on the same basis at the Subscription Price and only the unplaced Unsubscribed Shares will be

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underwritten at a price equal to the Subscription Price by China Assets; (vii) the theoretical dilution effect of the Open Offer falls within the range of the Comparables; and (viii) the net proceeds from the Open Offer is crucial to the Group for repayment of loan owed to China Assets which fall due in 2023 and further development of its financial services business in order to stay competitive, given the cash and bank balances of the Group on hand have been earmarked for specific uses, as advised by the Company, we consider the Subscription Price is fair and reasonable.

(c) Excess application

Among the Comparables, we noted that 4 out of the 5 Comparables did not have excess application arrangements in their open offers. As such, we consider that it is acceptable for the Open Offer not to have excess application arrangements. In addition, the Company has put in place the Compensatory Arrangements to place the Unsubscribed Shares by the Placing Agent as required under Rule 7.26(1)(b) of the Listing Rules.

(d) Placing Agreement and Underwriting Agreement

On 31 July 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares at a price at least equal to the Subscription Price to independent places on a best effort basis, and any Net Gain that may be realized will be paid to No Action Shareholders. 1% of the gross proceeds from the successful placement of the Unsubscribed Shares as placing commission (the “Placing Commission”) will be payable by the Company to the Placing Agent.

On the same date, the Company and China Assets entered into the Underwriting Agreement pursuant to which China Assets has conditionally agreed to fully underwrite the Underwritten Shares, being the unplaced Unsubscribed Shares. 2% of the gross proceeds from the subscription of the Underwritten Shares actually taken up by China Assets as underwriting commission (the “Underwriting Commission”) will be payable by the Company to China Assets. As stated in the Letter from the Board, such rate was negotiated on arm’s length terms by reference to underwriting commission in similar arrangements. As stated in the Letter from the Board, the Company did not procure other underwriter as they estimated that it would be difficult for the Company to procure an independent underwriter who will be willing to underwrite the Unsubscribed Shares at a commission rate commercially acceptable to the Group taking into account the poor response in the open offer of the Company in December 2021, recent thin trading liquidity of the Shares and prevailing poor market sentiment.

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As set out in the table in paragraph headed “Comparison with other Open Offers” above, 4 out of 5 Comparables had placing arrangements and the placing commission ranged from 1.0% to 2.5%. The Placing Commission falls within the range of the Comparables. In addition, 1 out of 5 Comparables had an underwriting arrangement and the underwriting commission was 2%, the same as the Underwriting Commission payable by the Company.

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the Placing Agreement and Underwriting Agreement offer an additional means to facilitate the subscription of the Unsubscribed Shares to the maximum extent given the funding needs of the Company; (iii) the Placing Commission and Underwriting Commission as compared with the Comparables is fair and reasonable; and (iv) the financing needs of the Group as discussed in the paragraphs headed “Reasons for the Open Offer” above given the Group’s recent financial position and its cash and bank balances on hand have been earmarked for specific uses, we concur with the Directors’ view that the terms of the Open Offer, Placing Agreement and Underwriting Agreement are fair and reasonable.

(4) Financial impacts of the Open Offer, Placing Agreement and Underwriting Agreement

Set out below is the analysis of the financial impacts of the Open Offer as estimated by the Company. The analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Open Offer, the Placing Agreement and the Underwriting Agreement.

(a) Liquidity

Since the net proceeds from the Open Offer of approximately HK\$64.7 million, instead of the Group’s internal cash resources, will be used to repay loan and interest which fall due in 2023 and to finance the further development of the Group’s financial services business, taking into account the commission of up to approximately HK\$0.9 million payable to China Assets for taking up all Unsubscribed Shares pursuant to the Underwriting Agreement assuming no application for Open Offer Shares is made by the Qualifying Shareholders (other than the Undertaking Providers) and no Independent Third Parties take up the Unsubscribed Shares and all the Unsubscribed Shares are taken up by China Assets, it is expected that the Group’s liquidity position would be improved as a result of the Open Offer, the Placing Agreement and the Underwriting Agreement.

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(b) *Net tangible assets*

As stated in the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, as if the Open Offer had been completed on 30 June 2023, the net tangible assets of the Group attributable to the Shareholders as at 30 June 2023 would increase by approximately HK\$65.2 million from approximately HK\$2,271.4 million to HK\$2,336.6 million. The unaudited pro forma consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 as adjusted for the Open Offer would decrease to HK\$1.07 from HK\$1.45 as the Subscription Price represented a discount to the net asset value per Share as at 30 June 2023.

(c) *Gearing ratio*

As stated in the 2022 AR, the Group's gearing ratio is calculated based on total borrowings divided by total equity. As the net proceeds from the Open Offer will be used to repay a loan and interest accrued which fall due in the remaining months in 2023, it is expected that the gearing ratio of the Group will be improved as a result of the Open Offer, Placing Agreement and Underwriting Agreement.

(5) *Possible dilution effect*

All Qualifying Shareholders are entitled to subscribe for the Open Offer Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table below illustrates the respective shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of Open Offer under different scenarios:

Beneficial Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after completion of Open Offer assuming application for full assured allotments		(iii) Immediately after completion of Open Offer assuming no application by Qualifying Shareholders (other than Undertaking Providers) and all Unsubscribed Shares placed to Independent Third Parties under the Compensatory Arrangements		(iv) Immediately after completion of Open Offer assuming no application by Qualifying Shareholders (other than Undertaking Providers) and no Independent Third Parties take up the Unsubscribed Shares and all Unsubscribed Shares taken up by China Assets under the Underwriting Agreement	
	Number of		Number of		Number of		Number of	
	Shares	%	Shares	%	Shares	%	Shares	%
Mr. Lo	115,217,218	7.36	161,304,105	7.36	161,304,105	7.36	161,304,105	7.36
Kinmoss ⁽¹⁾	85,138,236	5.44	119,193,530	5.44	119,193,530	5.44	119,193,530	5.44
New Synergies ⁽²⁾	252,082	0.02	352,914	0.02	352,914	0.02	352,914	0.02
China Assets ⁽³⁾	328,029,445	20.96	459,241,223	20.96	459,241,223	20.96	867,478,207	38.59
Mr. Yeung ⁽⁴⁾	15,541,924	1.00	21,758,693	1.00	21,758,693	1.00	21,758,693	1.00
The Lo Parties including China Assets and parties acting in concert with them	544,178,905	34.78	761,850,465	34.78	761,850,465	34.78	1,170,087,449	53.41
Mr. Zhou Xiaohé ⁽⁵⁾	160,000	0.01	224,000	0.01	160,000	0.01	160,000	0.01
Independent places	–	–	–	–	408,236,984	18.63	–	–
Public Shareholders	1,020,432,456	65.21	1,428,605,440	65.21	1,020,432,456	46.58	1,020,432,456	46.58
	<u>1,564,771,361</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>	<u>2,190,679,905</u>	<u>100.00</u>

Notes:

- (1) 100% of the issued share capital of Kinmoss is owned by Mr. Lo.
- (2) The issued share capital of New Synergies is owned as to 40% by Mr. Lo, 30% by his brother, Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng.
- (3) 100% of the issued share capital of China Assets is owned by New Synergies.
- (4) Mr. Yeung is an executive Director, the chief financial officer and company secretary of the Company. Solely by reason of presumption class (6) in the definition of “acting in concert” in the Takeovers Code, Mr. Yeung as a Director, is presumed to be a party acting in concert with Mr. Lo.
- (5) Mr. Zhou Xiaohé is an independent non-executive Director of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and their shareholding interests in the Company will not be diluted if they elect to apply in full for their assured allotments under the Open Offer; (ii) the proceeds from the Open Offer can fulfil the funding needs of the Group, we concur with the Directors' view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to apply in full for their assured allotments of Offer Shares, is acceptable and justifiable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Open Offer, the Placing Agreement and Underwriting Agreement are in the interests of the Company and the Shareholders as a whole and the terms of it are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Open Offer Independent Board Committee to advise the Independent Shareholders to vote in favour on the resolution at the EGM in relation to the Open Offer, Placing Agreement and Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Capital 9 Limited

Chu Tat Hoi **Chan Man Yee**
Managing Director *Director*

Chu Tat Hoi and Chan Man Yee are licensed persons and responsible officers of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years and 15 years of experience in the corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement are shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “2020 Financial Statements”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “2021 Financial Statements”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “2022 Financial Statements”); together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 37 to 114 of the annual report of the Company for the year ended 31 December 2020, which was published on 26 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600436.pdf>

The 2021 Financial Statements are set out on pages 36 to 116 of the annual report of the Company for the year ended 31 December 2021, which was published on 22 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201554.pdf>

The 2022 Financial Statements are set out on pages 35 to 110 of the annual report of the Company for the year ended 31 December 2022, which was published on 21 April 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042101205.pdf>

At the Latest Practicable Date the interim results of the Company for the six months ended 30 June 2023 were expected to be announced on 31 August 2023. The interim results will be published on the websites of the Company (www.firstshanghai.com.hk) and the Stock Exchange (www.hkexnews.hk).

Shareholders are advised to read the interim results before making a decision about voting at the EGM.

NO MATERIAL CHANGE

The Directors confirm that, save as disclosed below and in the paragraph headed “Business Review and Financial and Trading Prospects” below in this Appendix and as disclosed in the 2022 Financial Statements, there has been no material adverse change in the financial or trading positions or outlook of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

INDEBTEDNESS

At the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, the Group had the following indebtedness:

Bank and other borrowings

As at 30 June 2023, the Group had total outstanding borrowings of approximately HK\$220.6 million, comprising of (i) secured and guaranteed bank loans of approximately HK\$175.6 million; (ii) unsecured and guaranteed bank loans of approximately HK\$10.0 million; and (iii) unsecured and unguaranteed other loans of approximately HK\$35.0 million.

Pledge of assets of the Group

As at 30 June 2023, properties of approximately HK\$142.9 million, investment properties of approximately HK\$295.0 million, leasehold land and land use rights of approximately HK\$27.6 million and properties held for sale of approximately HK\$94.8 million and fixed deposits of the Group of approximately HK\$15.0 million were pledged to secure its bank loans and general banking facilities. Among such bank loans and general banking facilities, HK\$175.6 million had been utilized. No bank borrowing was secured by charges over listed securities pledged by the customers to the Group as margin and IPO loan collateral.

Lease obligations

As at 30 June 2023, the Group had outstanding lease payments in respect of right-of-use assets, land and buildings, vehicles, trucks and machinery of approximately HK\$21.0 million, which were unguaranteed and secured by the rental deposits paid by the Group.

Contingent liabilities

The Group had certain litigations and/or claims of material importance as stated in the paragraph headed “MATERIAL LITIGATION” in Appendix III to this circular. Also, the Group had guarantees given to banks for the mortgage loans arranged for the purchasers of the Group’s properties in PRC. As at 30 June 2023, the Group’s total contingent liabilities amounted to approximately HK\$19.7 million.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, other recognised lease liabilities, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or contingent liabilities, at the close of business on 30 June 2023.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 30 June 2023.

SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal financial resources presently available to the Group, including the banking facilities and other borrowings available to the Group and the existing cash and bank balances, and the expected net proceeds from the Open Offer, the Group has sufficient working capital, in the absence of unforeseeable circumstances, to meet its present requirements for at least the next twelve months from the date of this circular.

BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

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

The Group expects the general economy will continue to be closely tied with the recovery path of COVID-19 pandemic and geopolitical tensions. The financial market will continue to be volatile due to the high interest rate environment and geopolitical uncertainties. The Group will maintain a cautious and proactive approach regarding the risk and credit control of its operation and business development. Adheres to the Company's strategic business model and dedicates its efforts and resources to accelerating growth in a balance portfolio of major business sectors, the Group is cautiously optimistic towards the gradual pick up of cross-border flows which adversely hindered business activities. The Group will remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

It is undeniable that the global economy faces its challenges in recent history due to the COVID-19 pandemic and geopolitical tensions. The risks and uncertainties facing the Hong Kong market are expected to increase. Looking forward, the Group will continue to adopt diversified strategies with a view to grasping all valuable business opportunities for the Group to advance its business in the coming years.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Open Offer is set out below for illustration only. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders should bear in mind that these figures are subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the published unaudited consolidated net assets of the Group as at 30 June 2023, as extracted from the published interim results announcement of the Company for the six months ended 30 June 2023 which are published on both the website of the Stock Exchange and the website of the Company, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to equity holders of the Group following the Open Offer.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 ^(Note 2) HK\$'000 (Unaudited)	Estimated net proceeds from the Open Offer ^(Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 as adjusted for the Open Offer HK\$'000 (Unaudited)	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 prior to Open Offer per share ^(Note 4) HK\$ (Unaudited)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 as adjusted for the Open Offer per share ^(Note 5) HK\$ (Unaudited)
Based on 625,908,544 Open Offer Shares to be issued at the Subscription Price of HK\$0.11 per Open Offer Share ^(Note 1)				
2,271,421	65,189	2,336,610	1.45	1.07

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. Based on the 625,908,544 Open Offer Shares to be issued at the Subscription Price of HK\$0.11 per Open Offer Share pursuant to the Open Offer on the basis of two Open Offer Shares for every five Shares held and 1,564,771,361 Shares in issue as at the Latest Practicable Date.
2. The unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2023 is based on the unaudited consolidated net assets of approximately HK\$2,352,954,000 after deducting non-controlling interests of approximately HK\$59,627,000 as at 30 June 2023, with an adjustment for intangible assets, right-of-use assets, and deferred tax assets of approximately HK\$1,726,000, HK\$20,133,000 and HK\$47,000 respectively, as extracted from the published interim results announcement of the Company for the six months ended 30 June 2023.
3. The estimated net proceeds from the Open Offer are based on 625,908,544 Open Offer Shares to be issued at the Subscription Price of HK\$0.11 per Open Offer Share, after deduction of the related estimated expenses, net of placing commission to be paid to a wholly-owned subsidiary of the Company amounting to approximately HK\$0.5 million, of approximately HK\$65.2 million.
4. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 June 2023 is 1,564,771,361 Shares.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after completion of the Open Offer is calculated based on 2,190,679,905 Shares in issue upon completion of the Open Offer, which represents the 1,564,771,361 Shares in issue as at the Latest Practicable Date and 625,908,544 Open Offer Shares expected to be issued on the completion of the Open Offer.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report, received from CHENG & CHENG LIMITED, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in relation to the Open Offer, in respect of the unaudited pro forma financial information of the Group, prepared for the purpose of inclusion in this circular.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



To the Directors of FIRST SHANGHAI INVESTMENTS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of FIRST SHANGHAI INVESTMENTS LIMITED (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 June 2023 and related notes as set out on pages II-1 and II-2 of the circular issued by the Company dated 31 August 2023 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of the circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the impact of the open offer on the Group’s net tangible assets as at 30 June 2023 as if the transaction had taken place at 30 June 2023. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements for the period ended 30 June 2023, on which no auditor’s report or review conclusion has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CHENG & CHENG LIMITED

Certified Public Accountants

Hong Kong, 31 August 2023

RESPONSIBILITY STATEMENT

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 (other than the information relating to China Assets and parties acting in concert with it) 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 herein (other than the information relating to China Assets and parties acting in concert with it) or this circular misleading.

SHARE CAPITAL

As a Hong Kong-incorporated company the Company does not have an authorised share capital and its shares have no nominal value.

All of the issued Shares rank, and all of the Open Offer Shares to be issued will rank, *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Open Offer Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Open Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

At the Latest Practicable Date there was no arrangement under which future dividends are or will be waived or agreed to be waived.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

Interests in respect of the Company:

Number of Shares and underlying Shares held

		Personal interests	Corporate Interests	Total	% of issued share capital of the Company
Directors					
Mr. LO Yuen Yat					
(Note)	Long position	115,217,218	413,419,763	528,636,981	33.78%
Mr. YEUNG Wai Kin	Long position	15,541,924	—	15,541,924	0.99%
Mr. ZHOU Xiaohe	Long position	160,000	—	160,000	0.01%

Note: 85,138,236 shares, 328,029,445 shares and 252,082 shares are held by Kinmoss, China Assets and New Synergies respectively. Kinmoss is a company wholly owned by Mr. LO Yuen Yat. China Assets is a company 40% indirectly owned by Mr. LO Yuen Yat through New Synergies and New Synergies is a company with 40% equity interests directly owned by Mr. LO Yuen Yat.

Save as disclosed above, as at Latest Practicable Date, none of the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that at the Latest practicable Date, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal Interests	Family interests	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note)	Long position	61,576,000	12,432,000	63,640,000	137,648,000	8.80%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note)	Long position	12,432,000	61,576,000	63,640,000	137,648,000	8.80%

Note: 63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.

Save as disclosed above, the Directors are not aware that there is any party (other than directors or chief executive of the Company) who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, except that the existing service contracts for the Directors, for Mr. Yu Qihao and Mr. Zhou Xiaohe were renewed on 14 April 2023, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN ASSETS

At the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

At the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

At the Latest Practicable Date, none of the Directors or their respective close associates (within the meaning of the Listing Rules) had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY

China Assets has advised the Company that at the Latest Practicable Date:

- (i) save for 544,178,905 Shares (representing approximately 34.78% of the Shares in issue) held by China Assets and its ultimate beneficial owners and parties acting in concert with any of them, neither China Assets, its ultimate beneficial owners nor parties acting in concert with any of them own or have control or direction over any voting rights and rights over any Shares;
- (ii) China Assets, its ultimate beneficial owners and parties acting in concert with any of them have not received any irrevocable commitment to accept the General Offer;
- (iii) China Assets, its ultimate beneficial owners and parties acting in concert with any of them do not hold any convertible securities, warrants or options in the Company;
- (iv) China Assets, its ultimate beneficial owners and parties acting in concert with any of them have not entered into any outstanding derivatives in the securities of the Company;

- (v) save for the conditions mentioned in the paragraph headed “Pre-conditions to making, and conditions of, the General Offer” in the Announcement, the General Offer will not be subject to any conditions (including normal conditions relating to acceptance, listing and increase of capital);
- (vi) save for the Underwriting Agreement, the Open Offer, the Compensatory Arrangements and the Placing Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the General Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (vii) save for the Open Offer, the Compensatory Arrangements, the Placing Agreement and the Underwriting Agreement, there are no agreements or arrangements to which China Assets is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the General Offer;
- (viii) China Assets, its ultimate beneficial owners and parties acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (ix) there is no understanding, arrangement or agreement which constitutes a special deal (as defined in Rule 25 of the Takeovers Code) between:
 - (1) Shareholders, and
 - (2) (a) China Assets, its ultimate beneficial owners and parties acting in concert with any of them; and
 - (b) the Company, its subsidiaries or associated companies.

INFORMATION ABOUT CHINA ASSETS

China Assets is a company incorporated in Hong Kong with limited liability. It is an investment holding company, and is ultimately beneficially owned as to 40% by Mr. Lo, an executive Director, and 30% by his brother Mr. Lao Kaisheng and 30% by his sister Ms. Lao Jiangsheng. There are no direct shareholding interests in the Company held by Mr. Lao Kaisheng and Ms. Lao Jiangsheng. At the Latest Practicable Date, China Assets owns or controls 328,029,445 Shares (representing approximately 20.96% of the Shares in issue) and therefore is a substantial shareholder and a connected person of the Company.

At the Latest Practicable Date, China Assets and its ultimate beneficial owners, together with parties acting in concert with any of them own or control an aggregate of 544,178,905 Shares (representing approximately 34.78% of the Shares in issue).

MATERIAL LITIGATION

As at the Latest Practicable Date, so far as is known to the Board, the Group was involved in the following material litigation, claim or contingent liability:

Wuxi Landshine Real Estate Company Limited (“WL”), a non-wholly owned subsidiary of the Company, was involved in a litigation. The claimant, Shanghai Chong Ming Construction (Group) Company Limited 上海崇明建設(集團)有限公司 (“Claimant”), claimed from WL payment of construction costs in the amount of RMB110 million and interest in the amount of approximately RMB23.7 million and legal fees as damages for an alleged breach of contract of 房屋買賣與工程款抵消協議 (Set off construction costs agreement by sale and purchase of houses agreement) on 4 December 2015. Wuxi Intermediate People’s Court ruled in favour of the Claimant on 23 June 2021. In July 2021, WL appealed to the higher court which allowed the appeal and on 8 February 2023 remitted the case to the court of first instance for retrial. No retrial date has been fixed.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualifications
Capital 9 Limited	the Independent Financial Adviser, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
CHENG & CHENG LIMITED	Certified Public Accountants, Registered Public Interest Entity Auditor

The above experts have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respectively appear.

At the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

At the Latest Practicable Date, the above experts did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement;
- (b) the Placing Agreement; and
- (c) the offer agent agreement dated 31 July 2023 between China Assets and First Shanghai Securities.

EXPENSES

The expenses in connection with the Open Offer, including underwriting and placing commissions, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$4.1 million and are payable by the Company.

CORPORATE INFORMATION

Registered office	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Head office and principal place of business in Hong Kong	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Authorised representatives	Mr. Lo Yuen Yat 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong Mr. Yeung Wai Kin 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong

Company Secretary	Mr. Yeung Wai Kin <i>A member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong</i> 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong
Audit Committee	Mr. Yu Qihao (<i>Chairman</i>) Mr. Kwok Lam Kwong, Larry, <i>S.B.S., J.P.</i> Prof. Woo Chia-Wei Mr. Liu Ji Mr. Zhou Xiaohe Mr. Li Zhiyun
Remuneration Committee	Mr. Zhou Xiaohe (<i>Chairman</i>) Mr. Lo Yuen Yat Prof. Woo Chia-Wei Mr. Yu Qihao
Legal adviser to the Company	David Norman & Co
Independent Financial Adviser	Capital 9 Limited
Auditors	PricewaterhouseCoopers <i>(Certified Public Accountants)</i> 22nd Floor, Prince's Building, Central, Hong Kong
Reporting Accountants in relation to the Open Offer	Cheng & Cheng Limited <i>(Certified Public Accountants)</i> Level 35, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
Placing Agent	First Shanghai Securities Limited Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong
Underwriter	China Assets (Holdings) Limited Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong
Share Registrar	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
China CITIC Bank International Limited
China Construction Bank Corporation, Hong Kong Branch
Dah Sing Bank, Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The following are brief biographies of each of the Directors and senior management of the Company.

Executive Directors

Mr. LO Yuen Yat (77). Appointed as Managing Director of the Company in 1993. Mr. Lo joined the Company in 1993 and is currently the Chairman of the Company. Previously, Mr. Lo was the senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the State Science & Technology Commission, Ministry of Communications and Railway Ministry of the PRC. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (69). Appointed as Director of the Company in 1998. Mr. Xin joined First Shanghai Investments Limited in 1994 as Executive Vice President in charge of direct investment and property development business including luxury hotel and full service hospital. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver, USA in 1992.

Mr. YEUNG Wai Kin (62). Appointed as Director of the Company in 1998. Mr. Yeung is also Chief Financial Officer and Company Secretary of the Company. He joined the Company in 1993 and has over 30 years' experience in auditing, finance and management positions. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Ms. LAO Yuanyuan (45). Appointed as Director of the Company in 2021. Ms. Lao was an executive director of China Assets") from 2005 to 2015 and was redesignated as a non-executive director from 2016 to 2017. China Assets was listed in Hong Kong during the relevant period. Ms. Lao is presently a vice-president of business development of Crimson Pharmaceutical (Hong Kong) Limited ("Crimson"). Prior to joining Crimson, Ms. Lao worked in the investment

banking division at Merrill Lynch & Co in New York City. Ms. Lao graduated magna cum laude from Columbia University, USA, where she studied Engineering Management Systems. Ms. Lao is the daughter of Mr. Lo Yuen Yat, the Chairman and executive director of the Company.

Non-executive Director

Mr. KWOK Lam Kwong, Larry, S.B.S., J.P. (67). Appointed as an Independent Non-executive Director of the Company in 1994 and re-designated to Non-executive Director of the Company in 2005. Mr. Kwok is a practising solicitor in Hong Kong and is qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

Independent Non-executive Directors

Professor WOO Chia-Wei (85). Appointed as Independent Non-executive Director of the Company in 1993. Prof. Woo is currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously he was President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of Shanghai Industrial Holdings Limited.

Mr. LIU Ji (87). Appointed as Independent Non-executive Director of the Company in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He served as Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. Mr. Liu is also an independent director of O2micro International Limited, a NASDAQ-listed company.

Mr. YU Qihao (76). Appointed as Independent Non-Executive Director of the Company in 2005. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shen Yin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr. Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (71). Appointed as Independent Non-executive Director of the Company in 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from the Beijing Industrial University major in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18 May 1995 to 16 June 1998.

Mr. Li Zhiyun (59), is the founder of several entities, namely Mandarin Fine Foods Co. Ltd* (北京曼琳精美食品有限公司) (“Mandarin Fine Foods”), Beijing Pan Am International Flight School* (北京泛美國際飛行學院) (“Beijing PAIFS”), Phoenix International Flying College* (鳳凰國際飛行學院) (the “PIFC”), CETC Wuhu Diamond Aircraft Manufacture Co. Ltd (the “CETC Wuhu Diamond Aircraft”) and Wuhu Zhongke Aircraft Co. Ltd.* (蕪湖中科飛機製造有限公司) (“Wuhu Zhongke Aircraft”). Mr. Li has been acting as an investor and a director of the PIFC since October 2010, the vice-chairman of the board of CETC Wuhu Diamond Aircraft since October 2013, a director of Shandong Binao Aircraft Manufacture Co. Ltd* (山東濱奧飛機製造有限公司) since October 2014 and a general manager of Wuhu Zhongke Aircraft since October 2016. Mr. Li worked at Protocol Department of Ministry of Foreign Affairs of the PRC from September 1986 to January 1990 and Foreign Affairs Office of Central Institute of Finance of Ministry of Finance (currently known as School of Finance of Central University of Finance and Economics) of the PRC from January 1990 to September 1990. He was an owner of Mandarin Fine Foods from October 1990 to May 2004 and an investor of Beijing PAIFS from October 2005 to May 2009. Mr. Li graduated from the Foreign Affairs Institute of China (currently known as China Foreign Affairs University) with a bachelor’s degree in international law in June 1986.

Senior Management

Mr. QIU Hong (53). Joined the Group in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the management and business development of the Group’s financial service business. Prior to joining the Group, Mr. Qiu had worked for an international audit and consulting company and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry, Mr. Qiu is specializing in corporate financing, stockbrokerage and investment in Hong Kong and Chinese Mainland. Mr. Qiu holds a Bachelor’s Degree in Economics from the Zhong Shan University and a Master of Philosophy (Economics) degree from the Chinese University of Hong Kong.

* *English names in this section are for identification only. If there is any inconsistency, the Chinese names shall prevail.*

Business address of the Directors and senior management

The business address of the Directors and senior management is the same as the Company's principal place of business in Hong Kong and is at 19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong.

MISCELLANEOUS

- (i) At the Latest Practicable Date, there was no restriction affecting the remittance of profits into Hong Kong or repatriation of capital of the Company into Hong Kong.
- (ii) The English text of this circular and the related proxy form shall prevail over the Chinese texts in case of any inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.firstshanghai.com.hk), the Stock Exchange (www.hkexnews.hk) in the period from the date of this circular up to and including the date of the EGM:

- (a) The Articles of Association of the Company;
- (b) the letter from the Board, the text of which is set out in this circular;
- (c) the letter from the Open Offer Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (e) the annual reports of the Company for each of the years ended 31 December 2020, 2021 and 2022;
- (f) the report from Cheng & Cheng Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (g) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (i) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix; and
- (j) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on Friday, 22 September 2023 at 3:00 p.m. to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

That:

1. the Open Offer as defined in and on the terms described in the circular of the Company dated 31 August 2023 (a copy of which has been produced to the meeting marked A and signed by the chairman for the purposes of identification) on and subject to the terms summarised in that circular;
2. the Underwriting Agreement in relation to the Open Offer dated 31 July 2023 entered into between the Company and China Assets (Holdings) Limited (a copy of which has been produced to the meeting marked B and signed by the chairman for the purposes of identification); and
3. the Placing Agreement in relation to the Open Offer dated 31 July 2023 entered into between the Company and First Shanghai Securities Limited (a copy of which has been produced to the meeting marked C and signed by the chairman for the purposes of identification);

NOTICE OF EXTRAORDINARY GENERAL MEETING

and the transactions contemplated thereunder be and are hereby approved, and the Board of Directors be and are hereby authorised generally to do such things or make such arrangements as it may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Open Offer, the Underwriting Agreement and the Placing Agreement, including but not limited to issuing and allotting shares in the Company as contemplated thereby.

Yours faithfully,
By order of the Board
FIRST SHANGHAI INVESTMENTS LIMITED
Lo Yuen Yat
Chairman

Hong Kong, 31 August 2023

Registered Office:
Room 1903, Wing On House
71 Des Voeux Road Central
Hong Kong

Notes:

- (1) All resolutions put to the meeting will be decided by poll at the EGM. Accordingly, the chairman of the EGM will demand a poll on each resolution proposed at the EGM pursuant to the articles of association of the Company. The articles of association of the Company provide that on a poll, every shareholder present in person or by proxy shall have one vote for each share registered in his name in the register. An explanation of the detailed procedures for conducting a poll will be provided to shareholders at the EGM. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.firstshanghai.com.hk).
- (2) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registrar's office at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or the Company's share registrars' office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, **not less than 48 hours before** the time for holding the meeting.
- (3) The register of members of the Company will be closed from Tuesday, 19 September 2023 to Friday, 22 September 2023, both days inclusive, during which period no transfer of shares will be effected, in order to determine the entitlement to attend and vote at the EGM. All Share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 18 September 2023.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) If Typhoon Signal No.8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons are announced by the Government of Hong Kong or a Black Rainstorm Warning Signal is or is expected to be in force at 12:00 noon on the day of the EGM, then the EGM will be postponed and the Shareholders will be informed of the date, time and venue of the postponed meeting by a supplementary notice, posted on the Company’s website (www.firstshanghai.com.hk) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If Typhoon Signal No. 8 or above or a Black Rainstorm Warning Signal is cancelled or the “extreme conditions” cease before 12:00 noon on the day of the EGM, and where conditions permit, the EGM will be held as scheduled.

The EGM will be held as scheduled when an amber or a red rainstorm warning signal or is in force. Members should decide on their own whether to attend the EGM under bad weather conditions bearing in mind their own situations.

- (5) At the date of this circular, 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.