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FIRST SHANGHAI INVESTMENTS LIMITED

第一上海投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

**CONNECTED TRANSACTION
DISPOSAL OF A SUBSIDIARY COMPANY**

THE DISPOSAL

On 12 October 2018 (after trading hours), the Company entered into the Agreement with the Purchaser pursuant to which the Company conditionally agreed to the sale of the Disposal Interest currently held by the Company, representing the entire (100%) equity interest in Fu Hai Yun Tong held by the Company, to the Purchaser for the Consideration.

IMPLICATION UNDER THE LISTING RULES

The Purchaser is wholly-owned by New Synergies Investments Company Limited, a company incorporated in Hong Kong and is wholly-owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members. As such, the Purchaser is a connected person of the Company.

As the Purchaser is a connected person of the Company, the entering into of the Agreement by the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios as calculated under Rule 14A.76 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL

The Agreement

On 12 October 2018 (after trading hours), the Company entered into the Agreement with the Purchaser, pursuant to which, inter alia, (i) the Company conditionally agreed to the sale of the Disposal Interest currently held by the Company, representing the entire (100%) equity interest in Fu Hai Yun Tong held by the Company, to the Purchaser for the Consideration. Details of the Agreement are summarised as follows:

Date of the Agreement : 12 October 2018

Purchaser : China Assets (Holdings) Limited, a company incorporated in Hong Kong and is wholly-owned by New Synergies Investments Company Limited, a company incorporated in Hong Kong and is wholly owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members

Vendor : The Company

Subject matter : The Disposal Interest, being the entire (100%) equity interest in Fu Hai Yun Tong currently owned by the Company as at the date of this announcement

Consideration

Pursuant to the Agreement, the Consideration for the sale and purchase of the Disposal Interest shall be in the total sum of US\$1.5 million, which shall be settled in cash by the Purchaser to the Company on the Completion Date.

The Consideration was determined after arm's length negotiations between the parties to the Agreement based on normal commercial terms with reference to the registered and paid-up capital of Fu Hai Yun Tong as at the date of this announcement.

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

Conditions Precedent

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

Completion is conditional on those Directors who are permitted to vote under the Listing Rules having approved, inter alia, the entering into of the Agreement by the Company and the transactions contemplated hereunder.

Pursuant to the Agreement, none of the above Condition Precedent specified above can be waived by the Purchaser (but not by the Company) at any time. In the event that the Conditions Precedent are not fulfilled, the parties agreed that the Agreement will lapse, and become null and void and they will be released from all obligations thereunder, save in respect of any antecedent breaches and claims.

Completion

Completion of the sale and purchase of the Disposal Interest shall take place on the day that is two business days following the satisfaction of the above Condition Precedent.

Upon Completion, Fu Hai Yun Tong will cease to be a subsidiary company of the Group. The profit or loss and assets and liabilities of Fu Hai Yun Tong will no longer be consolidated in the consolidated financial statements of the Group.

INFORMATION ON FU HAI YUN TONG

Fu Hai Yun Tong is a wholly-owned foreign enterprise established under the laws of the PRC on 8 January 2016 with limited liability with a term of operation for 30 years. The registered capital of Fu Hai Yun Tong is US\$10 million; whilst its paid-up capital as at the date of this announcement was US\$1.5 million. Fu Hai Yun Tong is principally engaged in the financial leasing business in Shanghai, the PRC.

Fu Hai Yun Tong has just commenced its financial leasing business operation in 2017. Based on the audited financial statements of Fu Hai Yun Tong prepared in accordance with the PRC GAAP, its net profit before and after taxation (i) for the year ended 31 December 2016 were approximately RMB148,490 and RMB133,641 respectively; and (ii) for the year ended 31 December 2017 were approximately RMB46,919 and RMB41,519 respectively.

Based on its latest unaudited financial statements for the eight months ended 31 August 2018 prepared in accordance with the PRC GAAP, the loss before and after taxation for the eight months ended 31 August 2018 of Fu Hai Yun Tong were approximately RMB920,611 and RMB921,014 respectively. Based on the same unaudited financial statements of Fu Hai Yun Tong, its net asset value as at 31 August 2018 was approximately RMB9.0 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL

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

Subject to audit, it is currently expected that the Group will record a gain on the Disposal of approximately HK\$1.2 million, which is calculated with reference to the difference between the Consideration and the net asset value based on the unaudited financial statements of Fu Hai Yun Tong attributable to the Disposal Interest as at 31 August 2018.

It is expected that the estimated net proceeds from the Disposal of approximately US\$1.5 million will be used for general working capital of the Group and to finance its medical and healthcare business.

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

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

IMPLICATIONS UNDER THE LISTING RULES

The Purchaser is wholly-owned by New Synergies Investments Company Limited, a company incorporated in Hong Kong and is wholly owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members. As such, the Purchaser is a connected person of the Company.

As the Purchaser is a connected person of the Company, the entering into of the Agreement by the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Lo has a material and direct interest in the transactions contemplated under the Agreement as disclosed above, Mr. Lo has abstained from voting on the entering into of the Agreement by the Company at the relevant Board meeting.

As certain applicable percentage ratios as calculated under Rule 14A.76 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 12 October 2018 entered into among the Company and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, a Sunday or a public holiday) on which the Stock Exchange is open for the business of dealing in securities

“Company” or “Vendor”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong with limited liability on 7 July 1964, the Shares of which have been listed on the Main Board of the Stock Exchange since 1972
“Completion”	completion of the sale and purchase of the Disposal Interest in accordance with the Agreement
“Completion Date”	the date when the Completion takes place, which shall be the two business day from the date on which those directors of the Company who are permitted to vote under the Listing Rules having approved this Agreement and the transactions contemplated hereunder or such other date as the Parties may agree (or, where the context so requires, the date on which Completion occurs)
“Conditions Precedent”	the conditions precedent to the Completion under the Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	US\$1.5 million, being the consideration for the sale and purchase of the Disposal Interest
“Directors”	the directors of the Company
“Disposal”	the disposal of the Disposal Interest by the Company to the Purchaser pursuant to the Agreement
“Disposal Interest”	the entire (100%) equity interest in Fu Hai Yun Tong beneficially owned by the Company as at the date of this announcement
“Fu Hai Yun Tong”	富海雲通融資租賃(上海)有限公司 (Fu Hai Yun Tong Finance Leasing (Shanghai) Company Limited), a wholly-owned foreign enterprise with limited liability established under the laws of the PRC on 8 January 2016 with registered capital of US\$10 million, and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Lo”	Mr. Lo Yuen Yat, being the Chairman and an executive Director of the Company and a substantial Shareholder who, together with his family members, holds the entire issued share capital of New Synergies Investments Company Limited which holds the entire issued share capital of the Purchaser, and is beneficially interested in an aggregate of approximately 29.56% of the total issued Shares in the Company as at the date of this announcement
“PRC” or “Mainland China”	The People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“Purchaser”	China Assets (Holdings) Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by New Synergies Investments Company Limited, which in turn is wholly owned by Mr. Lo and his family members
“Shareholder(s)”	holder(s) of the Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *For identification purpose only*

In this announcement, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.

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

Hong Kong, 12 October 2018

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

Executive Directors:

Mr. Lo Yuen Yat

Mr. Xin Shulin

Mr. Yeung Wai Kin

Non-executive Director:

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

Independent non-executive Directors:

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qihao

Mr. Zhou Xiao He