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**FIRST SHANGHAI INVESTMENTS LIMITED**

**("the Company")**

*(incorporated in Hong Kong with limited liability)*

## **SHARE TRANSACTION AND RESUMPTION OF TRADING**

### **SUMMARY**

On 24th October, 2002, the Agreement was entered into between the Vendors and the Purchaser pursuant to which, inter alia, the Vendors agreed to sell and the Purchaser agreed to purchase of 100% of the registered capital of STNASCL at Completion, for an aggregate Consideration of HK\$50,000,000. The Consideration is to be satisfied by (a) the setting off of a sum of HK\$13,000,000 paid by the Purchaser to In-House as consideration for the grant of an option by In-House to the Company to purchase an interest in STNASCL; (b) the setting off of a sum of HK\$5,200,000 being part of an outstanding amount of HK\$10,367,123 together with interest owed to the Company by In-House; (c) the sum of HK\$10,800,000 in cash to be paid to SXIC and (d) the issue and allotment of 42,000,000 Consideration Shares, credited as fully paid at HK\$0.5 each to SXIC on Completion.

The Consideration Shares represent approximately 3.71% of the issued share capital of the Company as at the date hereof and 3.58% of the issued share capital of the Company, as enlarged by the issue of the Consideration Shares. The issue price of the Consideration Shares at HK\$0.50 represents a premium of 15.20% to the average closing price of the shares of the Company from 10th October, 2002 to 24th October, 2002, being the 10 trading days prior to the date of the Agreement of HK\$0.43 and a premium of 8.7% to the closing price of the shares of the Company of HK\$0.46 on 24th October, 2002.

The Agreement constitutes a share transaction for the Company under Chapter 14 of the Listing Rules.

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 25th October, 2002. The Company has applied for resumption of trading in the shares in the Company with effect from 9:30 a.m. 28th October, 2002.

## THE AGREEMENT

Date: 24th October, 2002

- Parties:
- (1) In-House Technology Limited (“In-House”) and 上海辛秀投資諮詢有限公司 translated as Shanghai Xin Xiu Investment Consultancy Company Limited (“SXIC”) (“In House” and “SXIC” together the “Vendors”); and
  - (2) E-Logistics Limited, a wholly-owned subsidiary of the Company (the “Purchaser”)

Each of the Vendors and its ultimate beneficial owners is an independent third party not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Terms: The Vendors agreed to sell and the Purchaser agreed to purchase 100% of the registered capital of Shanghai Transvision Network Application Service Company Limited (“STNASCL”) at completion of the transactions contemplated under the Agreement (the “Completion”). The registered capital of STNASCL was held as to 36.4% by In-House and 63.6% by SXIC.

Consideration: HK\$50,000,000 (the “Consideration”) which is to be satisfied as follows:

- (a) setting off of a sum of HK\$13,000,000 paid by the Purchaser to In-House as consideration for the grant of an option by In-House to the Company to purchase an interest in STNASCL. The sum of HK\$13,000,000 was paid to In-House as payment of an option right granted to the Company to purchase an interest in STNASCL pursuant to an option agreement dated 15th December, 2000 and supplemented on 28th December, 2000. If the option was not exercised by the Company, the sum of HK\$13,000,000 was to be repaid by In-House to the Company on or before 18th December, 2003. The option was not a discloseable transaction (pursuant to the listing Rules) and therefore no announcement has been made regarding such option;
- (b) setting off of a sum of HK\$5,200,000 being part of an outstanding amount of HK\$10,367,123 together with interest owed to the Company by In-House. Such outstanding amount represents a payment obligation by In-House to the Company for an assignment of a loan by the Company to In-House on 21st

December, 2001. A loan of HK\$10,000,000 was made by the Company to STNASCL on 29th March, 2001. The remaining sum of HK\$5,167,123 together with interest owed by In-House is to be repaid by In-House on or before 31st December, 2002. The loan made by the Company and the assignment of the loan to In-House was not a discloseable transaction and therefore no announcement has been made regarding the loan and the assignment;

- (c) payment of HK\$10,800,000 in cash to SXIC on Completion; and
- (d) the issue and allotment of 42,000,000 shares of HK\$0.20 each in the Company (the “Consideration Shares”), credited as fully paid at HK\$0.50 (representing a premium of 15.20% to the average closing price of the shares of the Company from 10th October, 2002 to 24th October, 2002, being the 10 trading days prior to the date of the Agreement of HK\$0.43 and a premium of 8.7% to the closing price of the shares of the Company of HK\$0.46 on 24th October, 2002) to SXIC on Completion.

The Consideration Shares represent approximately 3.71% of the issued share capital of the Company as at the date hereof and 3.58% of the issued share capital of the Company, as enlarged by the issue of the Consideration Shares. The Consideration Shares, when issued, shall rank *pari passu* to the existing Shares in all respects.

The Consideration (including the determination of the issue price of HK\$0.50 per Consideration Share) was determined based on arms-length commercial negotiations between the parties, taking into consideration that the Company’s net asset value per Share (HK\$0.976 per share as at 31st December, 2001) exceeds the current market price per Share.

The Company has internally assessed the business of STNASCL and the prospects of STNASCL and has internally analysed various projections including the cash flow, revenue and net profit projections of STNASCL in the future. Although STNASCL has incurred a loss before tax and extraordinary item for the six months ended 30th June, 2002, the Company considers that this is mainly attributable to the impact of depreciation expenses incurred in relation to major capital expenditure in software systems and office refurbishment incurred by STNASCL in the previous year, during the start up phase of the business of STNASCL. The Company believes that STNASCL will achieve a positive return on equity for the year 2003 as STNASCL is close to reaching its sales target for the whole year of the year 2002. In addition, the Company has calculated the net present value of STNASCL using a discounted cash flow method

and on the basis of its calculations, the directors of the Company consider that the Consideration is fair and reasonable.

The Consideration Shares will be issued under the general mandate granted by the shareholders of the Company to the directors of the Company to issue and allot shares in the Company up to 20% of the Company's issued share capital at an extraordinary general meeting held on 24th May, 2002.

## **CONDITIONS**

Completion of the Agreement is conditional upon the satisfaction of, amongst other things, the following conditions ("Conditions"):-

- (i) the Listing Committee of the Stock Exchange of Hong Kong Limited ("Stock Exchange") agreeing to grant a listing of and permission to deal in the Consideration Shares;
- (ii) the Purchaser's completion of the legal and the financial due diligence of STNASCL to its satisfaction; and
- (iii) the obtaining of all authorities, consents and approvals which are reasonably deemed by the Vendors as necessary (upon consultation with the Purchaser in advance) and which must be obtained from the government departments and the regulatory bodies pursuant to law for the transactions to be carried out under the Agreement, and the approvals of the new articles of association.

If the Conditions have not been satisfied (or waived) on or before 30th November, 2002 (or such later date as the parties may agree), the Agreement shall terminate. The Conditions above can be waived by agreement between the Vendors and the Purchaser.

## **COMPLETION**

Completion of the Agreement (the "Completion") is on the seventh day after the satisfaction of the Conditions (or such later date as the parties may agree).

## **REASONS AND BENEFITS**

The Company considers that the Agreement to purchase 100% of the registered capital of STNASCL represents an excellent investment opportunity of the Company and will widen the Company's technology businesses in the People's Republic of China ("PRC"). The benefits which are expected to accrue to the Company as a result of entering into the Agreement are the expanded shareholder base and the anticipated broadening of its income stream in due course. Given the strong backup of STNASCL, it forms a synergy to the Company. The state-of-art and expertise of STNASCL in insurance and logistics sectors in the PRC is expected to contribute tremendously to the development of the Company's industry network and revenue base across the border of the PRC. After Completion, the expertise of STNASCL will continue to be retained by STNASCL. The Company intends to establish other strategic alliances and technology partners in the coming future.

## **DESCRIPTION OF STNASCL**

STNASCL, is a sino-foreign joint venture enterprise incorporated in Shanghai on 10 August, 2000 with a term of 20 years and a registered capital of USD603,900 (which has been fully paid up). The registered capital of STNASCL was held as to 36.4% by In-House and 63.6% by SXIC. STNASCL engages in the business of providing consultancy service on the provision of logistics information; to research and develop system software for logistics and insurance business; and to sell its own software products; through its subsidiaries and associated companies, STNASCL also provides consultancy services in logistics to insurance brokerage. The Company will nominate new directors to the board of STNASCL to replace the existing board of directors of STNASCL.

Part of the business of the Company is in container transportation and freight forwarding services and the Company believes that the logistics consultancy business of STNASCL will complement the current business of the Company.

STNASCL has currently obtained all the necessary licences for its business operations. The Company believes that further applications may be required to be made to the relevant PRC authorities after Completion of the Agreement. However, the Directors consider that applications to be made by STNASCL after Completion will not have any material impact on the existing operations and financial status of STNASCL.

The loss before tax and extraordinary item attributable to STNASCL based on its unaudited financial statements prepared under PRC GAAP for the six months ended 30th June, 2002 is RMB996,865.60 (equivalent to HK\$940,443.00).

The profit before tax and extraordinary item attributable to STNASCL based on its audited financial statements prepared under PRC GAAP for the year ended 31st December 2001 is RMB16,996.03 (equivalent to HK\$16,034.05).

The net asset value of STNASCL based on its unaudited financial statements for the six months ended 30th June, 2002 is RMB4,015,332.25 (equivalent to HK\$3,788,064.00).

## **GENERAL**

The transactions contemplated under the Agreement constitute a share transaction for the Company under Chapter 14 of the Listing Rules.

Application will be made to the Stock Exchange for listing of and permission to deal in the Consideration Shares.

The Group is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stock broking, sales of software and application service provider consultancy services, and investment holding, property holding and management.

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 25th October, 2002. The Company has applied for resumption of trading in the shares in the Company with effect from 9:30 a.m. 28th October, 2002.

By Order of the Board  
**First Shanghai Investments Limited**  
**LAO Yuan-Yi**  
*Chairman*

Hong Kong, 25th October, 2002

Please also refer to the published version of this announcement in The Standard.