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## **FIRST SHANGHAI INVESTMENTS LIMITED**

**第一上海投資有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 227)**

### **DISCLOSEABLE TRANSACTION**

#### **FORMATION OF A JOINT VENTURE COMPANY**

##### **FORMATION OF THE JV COMPANY**

The Board is pleased to announce that on 29 December 2016 (after trading hours), an indirect wholly-owned subsidiary of the Company, namely FS Financial Holding, entered into the JV Agreement and the Supplementary Agreement with China Kweichow Moutai, Huakang Insurance, Black Marble Securities, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics in relation to the Proposed JV Formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC.

##### **IMPLICATION UNDER THE LISTING RULES**

As the applicable percentage ratios for the transaction contemplated under the JV Agreement exceed 5% but are less than 25%, the transaction under the JV Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is therefore is subject to the announcement requirements as set out in the Listing Rules.

**As the JV Agreement, the Supplementary Agreement and the transactions contemplated thereunder is subject to the approval by the CSRC and other relevant regulatory authorities in the PRC, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

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## **THE JV AGREEMENT**

The principal terms of the JV Agreement are summarized below:

Date of the JV Agreement : 29 December 2016

Parties involved : (1) FS Financial Holding;  
(2) China Kweichow Moutai;  
(3) Huakang Insurance;  
(4) Black Marble Securities;  
(5) Shijiazhuang Changshan Textile; and  
(6) Zhuhai ZhengBang Logistics.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, China Kweichow Moutai, Huakang Insurance, Black Marble Securities, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics are Independent Third Parties.

### **Scope of business and formation**

The JV Company, with its proposed name of 廣東絲路證券有限公司 (Guangdong Silk Road Securities Co., Ltd.) will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. The JV Company will be principally engaged in securities brokerage, underwriting and sponsor services, proprietary trading, asset management, advisory on securities, direct investment and other related businesses approved by the CSRC.

The JV Company will be held responsible for its debt with its entire assets, whereas each of the JV Equity-holders will held responsible to the JV Company to the extent of their respective Capital Contribution.

## Registered capital and the Capital Contribution

The registered capital of the JV Company is expected to be RMB2,000,000,000 (equivalent to approximately HK\$2,232,566,000), which will be contributed by the JV Equity-holders in cash as follows:

	<u>Amount of the Capital Contribution</u> (RMB)	<u>Percentage of equity interest in the JV Company</u> (%)
China Kweichow Moutai	770,000,000	38.5
Huakang Insurance	400,000,000	20.0
Black Marble Securities	380,000,000	19.0
FS Financial Holding	150,000,000	7.5
Shijiazhuang Changshan Textile	150,000,000	7.5
Zhuhai ZhengBang Logistics	150,000,000	7.5
<b>Total</b>	2,000,000,000	100.0

Capital Contribution will be made by the JV Equity-holders in two instalments. Initially, the JV Equity-holders will contribute 5% of their respective Capital Contribution in respect of the registered capital as a refundable deposit subject to certain conditions and paid to the Preparatory Group's designated account within 10 business days after a payment notice is issued by the Preparatory Group, whereas the remaining 95% of the registered capital will be paid by the JV Equity-holders after the JV Company's application to carry out proposed business in the PRC is approved by the CSRC, and paid to the JV Company's designated bank account within 20 business days after the payment notice is issued by the JV Company.

The amount of the Capital Contribution was determined after arm's length negotiation among the JV Equity-holders to the JV Agreement, with reference to the business prospects as well as development potential of the JV Company and the capital requirement of its business development.

The Company will finance its Capital Contribution to the JV Company of RMB150,000,000 (equivalent to approximately HK\$167,442,000) by internal resources of the Group and/or fund raising activities, including but not limited to placing of new shares, bonds or convertible notes, right issues or bank facilities that may be obtained by the Group.

Each of the JV Equity-holders shall obtain consent from the other JV Equity-holders and approval from the relevant government department in the PRC if any of the JV Equity-holders intends to transfer the entire or part of their equity interest in the JV Company to third party other than the JV Equity-holders (the "**Transfer Interest**"). Each of the JV Equity-holders shall have the pre-emptive right to acquire the Transfer Interests.

## **Preparatory Group**

A Preparatory Group will be formed to coordinate the application to the CSRC for the license that needed to carry out the proposed businesses in the PRC. The JV Equity-holders agreed to authorise China Kweichow Moutai and Huakang Insurance to form the Preparatory Group.

## **Board composition and the management structure of the JV Company**

The board of directors of the JV Company will consist of nine members. China Kweichow Moutai is entitled to nominate four directors thereto, and each of Huakang Insurance, Black Marble Securities, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics is entitled to nominate one director thereto. The JV Chairman, who will also act as the legal representative of the JV Company, will be appointed by China Kweichow Moutai.

In addition, a general manager, who will be mainly responsible for the management of the operation of the JV Company and report to the board of directors of the JV Company will be nominated by Huakang Insurance. The JV Company will also form a supervisory committee which will consist of five members. Each of China Kweichow Moutai, Huakang Insurance and Black Marble Securities is entitled to nominate one supervisor thereto, and the employee representative is entitled to nominate two supervisors thereto. The chairman of the supervision committee will be nominated by Black Marble Securities.

## **Distribution of profit and the remaining assets**

The profit and the remaining assets of the JV Company, where applicable and if any, will be distributed to the JV Equity-holders in proportion to their respective Capital Contribution, in the case of the JV Company is to be liquidated.

## **Breach of the JV Agreement**

If any of the JV Equity-holders fails to timely make its respective Capital Contribution in accordance with the JV Agreement, the breaching JV Equity-holder shall revoke the qualification as JV Equity-holder and the Preparatory Group have the rights to handle the shareholding of the breaching JV Equity-holder. If the JV Agreement cannot be performed or cannot be fully performed due the default of any JV Equity-holder, the defaulting JV Equity-holder shall be held liable to the other JV Equity-holders for the loss.

## **THE SUPPLEMENTARY AGREEMENT**

The principal terms of the Supplementary Agreement are summarized below:

- (a) if the JV Equity-holder is a Hong Kong listed company or a subsidiary of a Hong Kong listed company, that the JV Equity-holder's investing transaction is required to comply to the Listing Rules. The JV Agreement and the Supplementary Agreement and the transactions contemplated hereunder should be subject to the announcement and/or the passing of the resolution(s) at the general meeting of the JV Equity-holder

in accordance with the Listing Rules (if required);

- (b) in the case of the resolution(s) is not passed at the general meeting of the JV Equity-holder, that JV Equity-holder has the right to withdraw from the Proposed JV Formation, and it will not be considered as a breach of contract after each of the JV Equity-holder's consent has been obtained; and
- (c) the refundable deposit will be returned by the Preparatory Group to the JV Equity-holders within 10 business days after the vetoed result of the resolution(s) at the general meeting of the JV Equity-holder has been delivered to the Preparatory Group in writing.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

The Group has an active presence in the securities related industry in Hong Kong; while the JV Company is expected to be actively engaged in the securities related industry to provide full range of securities and financial services in the PRC, following its proper establishment. Co-operation with a licensed enterprise in the regulated securities and financial services industry has used to be the development strategy of the Group. Through the JV Agreement, the Group and the JV Company are able to establish a strategic alliance relationship, where both can jointly participate into any new business opportunities that may arise from time to time in the future. The Directors consider that the strategic alliance relationship between the Group, the JV Company and the JV Equity-holders will benefit the Group as a whole and ultimately enhance the returns to the Shareholders.

Having considered all the relevant factors, the Directors (including the independent non-executive Directors) consider that the JV Agreement was entered into on normal commercial terms following arm's length negotiation between the Company and the JV Equity-holders, and the terms of the JV Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE JV EQUITY-HOLDERS**

China Kweichow Moutai is a company incorporated in the PRC and is one of the shareholders of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), a state-owned enterprise listed in Shanghai Stock Exchange (stock code: 600519). China Kweichow Moutai is principally engaged in manufacturing and selling wines and its related industries.

Huakang Insurance is a company incorporated in the PRC and is a professional insurance service provider which is principally engaged in provision of insurance and investment services and targeting on medium to high-end customers.

Black Marble Securities is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of Lerado Financial Group Company Limited which is listed on the Stock Exchange (stock code: 1225). Black Marble Securities is principally engaged in dealing in securities, a type 1 regulated activity under the SFO.

Shijiazhuang Changshan Textile is a company incorporated in the PRC and listed in the Shenzhen Stock Exchange (stock code: 000158). Shijiazhuang Changshan Textile is principally engaged in manufacturing and selling textile, and performing scientific research of textile.

Zhuhai ZhengBang Logistics is a company incorporated in the PRC and is principally engaged in logistic and promotion services for domestic and foreign high-end wines.

## **INFORMATION ON THE GROUP AND FS FINANCIAL HOLDING**

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

FS Financial Holding is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. FS Financial Holding is principally engaged in equity investments in licensed corporations registered under the SFO.

## **IMPLICATION UNDER THE LISTING RULES**

Pursuant to the JV Agreement, the registered capital of the JV Company shall be contributed as to 7.5% by the Company's subsidiary, FS Financial Holding, and as to the remaining 92.5% thereof by the other five JV Equity-holders. Upon completion of the JV Agreement, the 7.5% equity interest in the JV Company will be held by the Group as its long-term investment.

As the applicable percentage ratios for the transaction contemplated under the JV Agreement exceed 5% but are less than 25%, the transaction under the JV Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is therefore is subject to the announcement requirements as set out in the Listing Rules.

**As the JV Agreement, the Supplementary Agreement and the transactions contemplated thereunder is subject to the approval by the CSRC and other relevant regulatory authorities in the PRC, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions or terms have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Black Marble Securities”	Black Marble Securities Limited, a company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of Lerado Financial Group Company Limited (隆成金融集團有限公司) which is listed on the Stock Exchange (stock code: 1225), being one of the JV Equity-

	holders to the JV Agreement
“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
“Capital Contribution”	the proposed capital contribution to the JV Company to be made by the JV Equity-holders in accordance with the JV Agreement
“China Kweichow Moutai”	China Kweichow Moutai (Group) Distillery Co., Ltd. (中國貴州茅台酒廠(集團)有限責任公司), a company incorporated in the PRC and is one of the shareholders of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), a state-owned enterprise listed in Shanghai Stock Exchange (stock code: 600519), being one of the JV Equity-holders to the JV Agreement
“CEPA”	Mainland and Hong Kong Closer Economic Partnership Arrangement
“Company”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange since 1972
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“FS Financial Holding”	First Shanghai Financial Holding Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Huakang Insurance”	Huakang Insurance Agency Co., Ltd. (華康保險代理有限公司), a company incorporated in the PRC, being one of the JV Equity-holders to the JV Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules)
“JV Agreement”	the joint venture agreement dated 29 December 2016 entered into among the JV Equity-holders in relation to the Proposed JV Formation
“JV Chairman”	the chairman of the board of directors of the JV Company
“JV Company”	a company proposed to be established in the PRC by the JV Equity-holders under the JV Agreement
“JV Equity-holder(s)”	the equity-holder(s) of the JV Company, namely China Kweichow Moutai, Huakang Insurance, Black Marble Securities, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “Mainland China”	The People’s Republic of China
“Preparatory Group”	a working group will be formed to coordinate the application to the CSRC for the licence that needed to carry out the proposed business in the PRC. The Equity-holders agreed to authorize China Kweichow Moutai and Huakang Insurance to form the working group
“Proposed JV Formation”	the proposed formation of the JV Company by the JV Equity-holders in accordance with the JV Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company
“Shareholder(s)”	holder(s) of the Shares
“Shijiazhuang Changshan Textile”	Shijiazhuang Changshan Textile Co., Ltd. (石家莊常山紡織股份有限公司), a company incorporated in the PRC and listed in Shenzhen Stock Exchange (stock code: 000158) , being one of the JV Equity-holders to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplementary Agreement”	the supplementary agreement entered into among the JV

Equity-holders dated 29 December 2016 in relation to the Proposed JV Formation

“Zhuhai ZhengBang Logistics”

Zhuhai ZhengBang Logistics Co., Ltd. (珠海正邦倉儲物流有限公司), a company incorporated in the PRC, being one of the JV Equity-holders to the JV Agreement

“%”

per cent.

By order of the Board  
**First Shanghai Investments Limited**  
**Lo Yuen Yat**  
*Chairman*

Hong Kong, 29 December 2016

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, *B.B.S., J.P.*

Independent non-executive Directors:

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qihao

Mr. Zhou Xiao He