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## **FIRST SHANGHAI INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**Financial adviser  
First Shanghai Capital Limited**

### **CONNECTED TRANSACTION**

#### **SUMMARY**

On 27 May 2003, the Company and SBCH entered into the Agreement whereby the Company agreed to acquire and SBCH agreed to sell the Sale Shares for a total consideration of US\$3,757,576 (or approximately HK\$29.31 million).

Immediately before completion of the Agreement, SBCH and the Company hold approximately 17.02% and 56.95% interest in Geoby respectively. SBCH is a substantial shareholder of Geoby and is thus a connected person of the Company under the Listing Rules. As such, the entering into of the Agreement constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules. Since the Directors consider that the Agreement is made on normal commercial terms and the total consideration for the Agreement does not exceed 3% of the book value of the net tangible assets of the Group as disclosed in its latest published audited consolidated accounts, the Company will disclose further details of the Agreement in its next annual report and accounts in accordance with Rule 14.25(1) of the Listing Rules.

#### **A. THE AGREEMENT**

##### **Date**

27 May 2003

##### **Parties**

Vendor : SBCH

Purchaser : the Company

##### **Assets to be acquired**

The Company agreed to acquire from SBCH 1,456,000 ordinary shares of HK\$0.01 each in the issued share capital of Geoby, representing approximately 6.88% equity interest in Geoby.

##### **Consideration**

US\$3,757,576 (or approximately HK\$29.31 million) payable in cash upon completion of the Agreement.

The Consideration was arrived at after arm's length negotiations between the Company and SBCH with reference to the profitability and future prospect of Geoby Group. The Company will pay the Consideration by internal resources.

The Directors (including the independent non-executive Directors), in discharging their fiduciary duties, consider that the Agreement is made on normal commercial terms and the terms of the Agreement are fair and reasonable so far as the Company and its shareholders are concerned.

### **Condition precedent**

Completion of the Agreement is conditional upon SBCH and the Company having jointly procured the signing of the Supplemental Shareholders Agreement (substantially in the form as appended to the Agreement) by all parties thereto.

In the event that the above condition is not fulfilled within two calendar months from the date of the Agreement due to no default on the part of either party, the Agreement will be null and void.

The Supplemental Shareholders Agreement is to set out, among other things, the rights and responsibilities of all the shareholders of Geoby, in particular, the adjustment to SBCH's shareholder rights and responsibilities as a result of its sale of the Sale Shares.

### **Earnest Money**

Upon the signing of the Agreement, the Company shall pay to the Escrow Agent the Earnest Money of US\$1,250,000 (or approximately HK\$9.75 million) to be held and/or dealt with in accordance with the Escrow Agreement. Under the Escrow Agreement, the Earnest Money will be released to SBCH as part of the Consideration upon completion of the Agreement and the Company will pay the remaining balance of the Consideration, i.e. US\$2,507,576 (or approximately HK\$19.56 million) in cash upon completion of the Agreement.

SBCH shall be entitled to receive US\$50,000 out of the Earnest Money as liquidated damages should the completion of the Agreement not take place due to the Company's default in making its best efforts, in good faith and with reasonable diligence to fulfill the condition precedent set out in the section headed "Condition Precedent" above. In the event of any other breach of the Agreement by either SBCH or the Company, then the non-breaching party shall be entitled to all remedies available under the prevailing law.

### **Completion**

Completion of the Agreement will take place within five business days after the fulfillment of all the aforesaid condition precedent. The Company shall not be obliged to complete the purchase of the Sale Shares unless the purchase of all of the Sale Shares is completed simultaneously.

## **B. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENT**

The Company is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stock broking, investment holding, property holding and management.

The Company has been seeking investment opportunities that can broaden its asset base and strengthen its income stream. The Directors consider that the acquisition of further interest in Geoby will provide the Company with a valuable source of income. The Directors consider that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

## **C. INFORMATION OF GEOBY GROUP**

Geoby is a limited liability exempted company incorporated in the Cayman Islands on 14 July 2000 and, through Goodbaby Child Products Group, is principally engaged in the production of baby and infant items in the PRC. Four of Geoby's board of the directors are appointed by the Company and one of which is nominated by SBCH. The Company does not currently intend to change the management of Geoby after completion of the Agreement.

For the year ended 31 December 2001, the unaudited pro forma consolidated profits before and after taxation and minority interests of Geoby Group amounted to approximately HK\$93.9 million and HK\$54.4 million respectively. For the year ended 31 December 2002, the unaudited pro forma consolidated profits before and after taxation and minority interests of Geoby Group amounted to approximately HK\$79.3 million and HK\$54.0 million respectively.

As at 31 December 2002, the unaudited consolidated net assets of Geoby Group amounted to approximately HK\$313.6 million.

Upon completion of the Agreement, the Company's interest in Geoby will increase from approximately 56.95% to 63.83%.

Upon completion of the Agreement, SBCH's interest in Geoby will reduce from approximately 17.02% to 10.14% and SBCH will remain a substantial shareholder of Geoby.

## **D. GENERAL**

First Shanghai Capital Limited has been appointed as the financial adviser to the Company.

Immediately before completion of the Agreement, SBCH and the Company hold approximately 17.02% and 56.95% interest in Geoby respectively. SBCH is a substantial shareholder of Geoby and is thus a connected person of the Company under the Listing Rules. As such, the entering into of the Agreement constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules.

Since the Directors consider that the Agreement is made on normal commercial terms and the total consideration for the Agreement does not exceed 3% of the book value of the net tangible assets of the Group as disclosed in its latest published audited consolidated accounts, the Company will disclose further details of the Agreement in its next annual report and accounts in accordance with Rule 14.25(1) of the Listing Rules.

## **E. DEFINITIONS**

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise.

“Agreement”	the conditional agreement dated 27 May 2003 entered into between the Company as purchaser and SBCH as vendor in relation to the acquisition of the Sale Shares
“Company”	First Shanghai Investments Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the main board of the Stock Exchange
“Consideration”	US\$3,757,576 (or approximately HK\$29.31 million)
“Directors”	the directors of the Company
“Earnest Money”	the earnest money of US\$1,250,000 (or approximately HK\$9.75 million) (which shall form part of the Consideration on completion of the Agreement) payable by the Company to the Escrow Agent upon signing of the Agreement
“Escrow Agent”	Victor Chu & Co., legal advisers to the Company
“Escrow Agreement”	the letter issued by Victor Chu & Co. on 27 May 2003 and accepted by the Company and SBCH on 27 May 2003 in respect of the Earnest Money
“Geoby”	Geoby International Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, and is approximately 56.95% owned by the Company

“Goodbaby Child Products Group”	Goodbaby Child Products Co. Ltd., a Sino-foreign equity joint venture established under the laws of the PRC and its subsidiaries
“Geoby Group”	Geoby and its subsidiaries
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Sale Shares”	1,456,000 ordinary shares of HK\$0.01 each in the issued share capital of Geoby
“SBCH”	SB China Holdings Pte Ltd, a company formed and registered under the laws of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Shareholders Agreement”	the supplemental shareholders agreement in relation to Geoby to be signed between the Company and SBCH and other persons to supplement a shareholders and optionholders agreement dated 20 April 2001 to which the Company, SBCH and other persons are parties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the lawful currency of the United States of America

*Unless otherwise specified in this announcement, amounts denominated in US\$ and RMB have been translated, for the purpose of illustration only, into HK\$ at the following rates:*

*HK\$7.80 = US\$1.00*

*HK\$1.00 = RMB1.07*

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

Hong Kong, 27 May 2003

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