

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

### MAJOR TRANSACTION – INTEREST IN GEOBY INTERNATIONAL HOLDINGS LIMITED

On 7th November, 2005, the Company entered into the following agreements to dispose of its entire interest in Geoby:–

- (i) the Geoby Agreement with Capital Force, SB China, CRF and PUD whereby, amongst other things, Capital Force, SB China and CRF agreed to sell and PUD agreed to purchase 827,824 Geoby Shares for an aggregate consideration of US\$2,201,671;
- (ii) the G-Baby Agreement with Capital Force, SB China and CRF and PUD (as vendors) and G-Baby (as purchaser) whereby, amongst other things, the Vendors agreed to sell and G-Baby agreed to purchase 27,300,000 Geoby Shares, representing the entire issued share capital of Geoby for an aggregate consideration of US\$122,500,000, subject to adjustments.

On 7th November, 2005, the Company also entered into the Dividend Agreement with SB China whereby in consideration of HK\$7,600,000 payable by the Company to SB China, SB China will, inter alia, discharge and release the Company from all rights and claims for all dividends attributable to the 2003 Geoby Shares, unpaid consideration or other obligations arising from or in connection with the SB China Agreement.

The Transactions constitute a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to approval of shareholders at the EGM.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 8th November, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 11th November, 2005.

#### A. THE GEOBY AGREEMENT

1. Date: 7th November, 2005
2. Parties: the Company  
Capital Force  
SB China  
CRF  
(as vendors)  
  
PUD (as purchaser)

3. Subject matter: The Company, Capital Force, SB China, CRF agreed to sell and PUD agreed to purchase an aggregate of 827,824 Geoby Shares representing approximately 3% of the issued share capital of Geoby.
4. Reasons: Management team of the Geoby Group was granted options to subscribe for Geoby Shares under various option/shareholders agreements (entered into between December 2000 to July 2003) by reference to the profits of the Geoby Group at that time. If such options were to be exercised, the shareholding of the shareholders in Geoby would be diluted. In view of the G-Baby Agreement and to facilitate its completion the Company, Capital Force, CRF and SB China and PUD (ultimately controlled by the management team of Geoby Group) agreed to settle these outstanding options by a transfer of existing Geoby Shares to PUD.
5. Consideration: US\$2,201,671 (approximately US\$2.66 per Geoby Share) payable in cash on completion pro-rata to the sellers' shareholding in the Company. The Company and Capital Force's share of the consideration is US\$1,378,002 and US\$166,397 respectively.

The consideration was determined by arms length negotiation between the parties to the Geoby Agreement based on the fair value of the options to purchase Geoby Shares previously agreed to be granted to employees of Geoby with reference to the net profit of Geoby Group from 2001 to 2004.

6. Conditions: Completion of the Geoby Agreement is conditional upon the shareholders of the Company having approved the Geoby Agreement and the transactions contemplated thereunder at a general meeting in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

If the conditions are not fulfilled by 31st January, 2006 or such other date as agreed by the parties, the Geoby Agreement shall become null and void.

7. Completion: It is expected that completion of the Geoby Agreement will take place at the same time as Completion of the G-Baby Agreement so that the 827,824 Geoby Shares will be transferred by the Company, Capital Force, SB China and CRF to G-Baby at the direction of PUD and the consideration will be paid by G-Baby to the Company, Capital Force, SB China and CRF at the direction of PUD.

## **B. DEED OF DISCHARGE**

1. Date: 7th November, 2005
2. Parties:
  - (i) 好孩子集團有限公司 (Jiangsu Goodbaby Group Corporation Limited)
  - (ii) Sure Growth Investments Limited
  - (iii) Mr. Song Zhenghuan (宋鄭還)  
(being management of the Geoby Group and their investment vehicles)  
Mr. Song Zhenghuan (宋鄭還) is the general manager and founder of the Geoby Group. Jiangsu Goodbaby Group Corporation Limited and Sure Growth Investments Limited are held by the management team of Geoby Group (including Song Zhenghuan (宋鄭還), Fu Jingqiu (富晶秋), Wang Haiye (王海燁), Liu Tongyou (劉同友).
  - (iv) the Company
  - (v) CRF
  - (vi) SB China
  - (vii) PUD
  - (viii) Capital Force  
(being the present shareholders of Geoby)
  - (ix) Geoby

The above (save for CRF who acquired its shares in Geoby from The China Retail Fund LDC on 4th November, 2005) are all parties to the shareholders and option agreements described in Section A4 of this announcement.

3. Terms: Conditional upon completion of Geoby Agreement, the parties agreed to discharge each other's obligations under various option and shareholders agreements in respect of a plan for issuing shares to the employees, officers, directors and/or consultants of Geoby and its subsidiaries as described in more detail in section A4 above.

## **C. THE G-BABY AGREEMENT**

1. Date: 7th November, 2005
2. Parties:
  - the Company
  - Capital Force
  - SB China
  - CRF
  - PUD
  - (as vendors)
  - G-Baby (as purchaser)
3. Subject matter: The Vendors agreed to sell and G-Baby agreed to purchase, 27,300,000 Geoby Shares, representing the entire issued share capital of Geoby.

#### 4. Consideration

- (a) The aggregate consideration is US\$122,500,000 (approximately US\$4.49 per Geoby Share) which is to be paid to the Vendors pro-rata to their shareholding. The Company and Capital Force will receive their share of the Consideration of US\$51,780,090 and US\$6,252,593 respectively.

The consideration was arrived at after arm's length negotiation between the Vendors and the Purchaser, and represents the equivalent of approximately 15.74 times the audited consolidated net profit after tax and minority interests of Geoby for the year ended 31 December, 2004 of HK\$60.7 million.

- (b) The Consideration is payable as follows:–
- (i) for the Company, Capital Force, SB China and CRF, 5% of the Consideration shall be paid into the Escrow Accounts and the balance shall be released to each of the Vendors on Completion.
- (ii) The consideration payable to Capital Force, the Company, SB China and CRF shall be satisfied entirely in cash. The consideration payable to PUD shall be satisfied partly in cash and partly by the issue of shares in G-Baby but this will not affect the consideration received by the Company and Capital Force.

If there are claims by G-Baby for breaches of the warranties given by the Vendors in the G-Baby Agreement or under the Tax Indemnity, the amounts claimed together with any amounts to be paid by the Vendors to G-Baby for adjustments to the consideration as described in paragraph 4(c) below will be retained in the Escrow Accounts. If no claims are made by G-Baby under the G-Baby Agreement up to nine months from Completion, 50% of the amounts in the Escrow Accounts will be paid to the Vendors 9 months after Completion and the balance will be paid to the Vendors 12 months after Completion if no claims are made by G-Baby under the G-Baby Agreement up to 12 months from Completion.

- (c) The consideration is subject to adjustments as follows.

Within 10 days from the finalisation of the Completion Accounts, the following amounts (if any) shall be deducted from the balance standing in the Escrow Account on a dollar for dollar basis and refunded to G-Baby:

- (i) the amount by which the Net Debt Figure is greater than US\$34 million;
- (ii) any amount by which the Working Capital Amount is less than RMB338 million; and
- (iii) any amount by which the Capital Expenditure is less than the Expected Capital Expenditure.

5. Conditions

Completion of the G-Baby Agreement is conditional upon:–

- (i) the shareholders of the Company having approved the G-Baby Agreement and transactions contemplated thereunder at a general meeting in accordance with the Listing Rules;
- (ii) there having not occurred any material adverse change (as defined in the G-Baby Agreement); and
- (iii) registration with the State Administration for Foreign Exchange of the direct investments made by PRC nationals in PUD and their indirect investments in any other Geoby Group members, and subsequent changes to such investments being obtained.

The G-Baby Agreement and the Geoby Agreement are an integral part of the Transactions.

6. Tax Indemnity and other documents

On completion of the G-Baby Agreement, the Vendors will execute, inter alia:–

- (i) a tax indemnity in favour of G-Baby against tax liabilities of the Geoby Group, inter alia, as a result of events occurring or income, profits or gains earned accrued or received prior to completion of the G-Baby Agreement; and
- (ii) termination deeds to release the profit allocation memorandum between the original shareholders of Geoby and option agreement dated 27th December, 2000 between Geoby and Jiangsu Goodbaby Group Corporation Ltd.

7. Completion of the G-Baby Agreement is to take place on the day which four Business Days after the date (not being later than 31 January 2006 or such other date agreed by the Vendor and G-Baby) on which the last of the Conditions (save for Condition set out in paragraph C5(ii) above) to be satisfied or waived as satisfied or waived provided that such date shall not be earlier than 31 January 2006 if the Facilities Agreement has not been signed by the first mentioned date, and in any event by 31 January 2006 (or such other date as the Vendors and G-Baby may agree) whether or not the Facilities Agreement has been signed.

After Completion, the Company will have no shareholding in Geoby and Geoby will no longer be a jointly controlled entity of the Company.

8. Shareholding changes of Geoby:–

Name	Existing shareholding		Geoby Agreement	G-Baby Agreement		After Completion of G-Baby Agreement	
	(1) No. of Geoby Shares as at the date of the announcement	(2) %	(3) No. of Geoby Shares sold under Geoby Agreement	(4) No. of Geoby Shares held on completion of the Geoby Agreement and to be sold under G-Baby Agreement	(5) %	(6) No. of Geoby Shares held on Completion	(7) %
The Company	12,057,689	44.167%	518,126	11,539,563	42.269%	0	0%
Capital Force	1,456,000	5.333%	62,565	1,393,435	5.104%	0	0%
CRF <i>(Note)</i>	3,603,600	13.200%	154,849	3,448,751	12.633%	0	0%
SB China	2,147,600	7.867%	92,284	2,055,316	7.529%	0	0%
PUD	8,035,111	29.433%	0	8,862,935	32.465%	0	0%
G-Baby <i>(Note)</i>	0	0%	0	0	0%	27,300,000	100%
TOTAL	27,300,000	100%	827,824	27,300,000	100%	27,300,000	100%

*Note: CRF and G-Baby are ultimately held by Pacific Alliance II L.P..*

9. Reasons for the Geoby Agreement:–

The G-Baby Agreement represents a good opportunity for the Company to realise its investment in Geoby on favourable terms and to raise approximately US\$58.033 million. The sale of the Geoby Shares by the Company and Capital Force under the Geoby Agreement will generate additional proceeds of approximately US\$1.544 million.

**D. DIVIDEND AGREEMENT**

On 27th May, 2003, the Company and SB China entered into the SB China Agreement whereby, inter alia, SB China agreed to sell and the Company agreed to purchase the 2003 Geoby Shares, which transfer was completed on 25th July, 2003. The SB China Agreement provided that, inter alia, all dividends attributable to the 2003 Geoby Shares for the period up to the date of completion of the SB China Agreement, 25th July, 2003 (“Relevant Dividend”) would be part of the consideration due to SB China from the Company for the 2003 Geoby Shares under the SB China Agreement. Geoby did not declare or pay the Relevant Dividend to any of its shareholders. The cash resources of the Geoby Group were retained for business development of the Geoby Group.

SB China and the Company have on 7th November, 2005 entered into the Dividend Agreement whereby, inter alia, in consideration of payment of HK\$7,600,000 (being the sum which the Company and SB China agreed to be the potential dividend attributable to the 2003 Geoby Shares based on the profits of the Geoby Group at the relevant time) by the Company to SB China, SB China will, inter alia, discharge and release the Company from all rights and claims for all dividends attributable to the 2003 Geoby Shares, unpaid consideration or other obligations arising from or in connection with the SB China Agreement.

Completion is conditional upon the following conditions having been fulfilled:–

- (a) the shareholders of the Company having approved the Dividend Agreement and the transactions contemplated thereunder at a general meeting in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (b) completion of the G-Baby Agreement; and
- (c) the SBC Deed of Discharge having been entered into between the Company and SB China whereby the Company and SB China agree, inter alia, that the SB China Agreement will terminate and no party shall have any claims against the other thereunder.

If the conditions have not been fulfilled by 31st January, 2006 or such other date as agreed by the Company and SB China, the Dividend Agreement shall be null and void and of no effect.

The SBC Deed of Discharge will be entered into after the Dividend Agreement has been approved by shareholders at the EGM and immediately prior to completion of the Dividend Agreement.

## **E. GENERAL INFORMATION**

### **1. Geoby**

As at the date hereof, the Group holds 49.5% of Geoby. After Completion, the Group will have no shareholding in Geoby. Geoby is engaged in the production and sale of juvenile products including strollers and bicycles in China.

The net profits before and after tax and minority interests and the net asset value for Geoby based on its audited financial statements for the year ended 31st December, 2004 was HK\$72.6 million, HK\$60.7 million and HK\$594.5 million respectively.

The net profits before and after tax and minority interests and the net asset value for Geoby based on its audited financial statements for the year ended 31st December, 2003 was HK\$89.8 million and HK\$59.1 million and HK\$533.3 million respectively.

Geoby has been accounted for as a jointly controlled entity by the Group since Geoby's establishment in 2001.

### **2. Background of the Vendors**

Capital Force is a wholly-owned subsidiary of the Company. The principal business of Capital Force is investment holding.

The ultimate beneficial owner of SB China are Softbank Corporation and UTStarcom, Inc.. The principal business activity of SB China is investment holding.

The ultimate beneficial owner of CRF and G-Baby is Pacific Alliance II L.P. The principal business activity of CRF is investment holding G-Baby is principally engaged in investment holding.

The beneficial owners of PUD are Song Zhenghuan (宋鄭還), Fu Jingqiu (富晶秋), Wang Haiye (王海燁), Liu Tongyou (劉同友) and other employees and former employees of Goodbaby Child Products Co. Ltd., a subsidiary of Geoby. The principal business of PUD is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SB China, CRF, PUD, G-Baby and their ultimate beneficial owners are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

The Company and its subsidiaries are principally engaged in investment holding, securities dealing, logistics and property holding and management.

The Directors (including the independent non-executive directors) are of the view that the terms of the Transaction are fair and reasonable and in the interests of shareholders as a whole.

#### **F. IMPLICATIONS UNDER THE LISTING RULES**

The Transactions constitute a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to approval of shareholders at the EGM.

So far as the Company is aware, as at the date of this Announcement, none of the shareholders has a material interest in the Geoby Agreement, the G-Baby Agreement and the Dividend Agreement hence none of the shareholders is required to abstain from voting at the EGM on the Transactions.

A circular containing further details on the disposal and, inter alia, a notice for the EGM will be despatched to shareholders as soon as possible.

#### **G. USE OF PROCEEDS**

The gain on disposal by the Company and Capital Force of the Geoby Shares pursuant to the G-Baby Agreement and the Geoby Agreement in the consolidated accounts is expected to be approximately HK\$81.7 million after deducting the cost of sales of approximately HK\$380.6 million (representing net book value of the investment in Geoby under the equity accounting method as at 30 September, 2005 (approximately HK\$330 million), goodwill of the Company's investment in Geoby in the books of the Group not written off to the profit and loss account (approximately HK\$37 million), expenses for the Transactions and payment to SB China) from the sale proceeds of approximately HK\$462.3 million (US\$59.577 million at the exchange rate of US\$1.00=HK\$7.76).

The Company intends to use the sale proceeds of approximately HK\$462.3 million received from the disposal of the Geoby Shares for the Company to explore appropriate investment opportunities in the future and to provide additional working capital for the Company and HK\$7.6 million for payment to SB China under the Dividend Agreement.

#### **H. RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 8th November, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 11th November, 2005.



## I. DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:–

“Associates”	the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“CRF”	CRF Investment Limited, a company incorporated in the British Virgin Islands;
“Capital Expenditure”	the aggregate capital expenditure of the Geoby Group for the period commencing on 1 January 2005 and ending on Completion Date;
“Capital Force”	Capital Force Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company ;
“Company”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the G-Baby Agreement;
“Completion Accounts”	the consolidated profit and loss account of the Geoby Group for the period starting on the day after 31st December, 2004 and ending on the Completion Date and the consolidated balance sheet of the Geoby Group as at the Completion Date;
“Completion Date”	the date for completion of the G-Baby Agreement as described in paragraph C7 above;
“Conditions”	conditions for completion of the Agreement set out in the section headed “Conditions” in paragraph C5 above;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Dividend Agreement”	the agreement dated 7th November, 2005 between the Company and SB China described in Section C of this announcement;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Transactions;
“Escrow Accounts”	separately designated interest-bearing accounts with a bank to be opened in joint names by the Company, Capital Force and G-Baby and each of the other Vendors and G-Baby;
“Expected Capital Expenditure”	the targeted capital expenditure of Geoby for the period from 1st January, 2005 to completion of the G-Baby Agreement determined on the basis set out in the G-Baby Agreement;

“Facilities Agreement”	the facilities agreement to be entered into in a form agreed between CRF and PUD prior to Completion by, inter alia, G-Baby as borrower and persons agreed between CRF and PUD as lenders;
“G-Baby”	G-Baby Holding Limited, a company incorporated in the British Virgin Islands;
“G-Baby Agreement”	the agreement dated 7th November, 2005 entered into between the Vendors, G-Baby described in Section C above;
“Geoby”	Geoby International Holdings Limited, a company incorporated in the Cayman Islands whose registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies;
“Geoby Agreement”	the agreement dated 7th November, 2005 entered into between the Company, Capital Force, SB China and CRF and PUD described in Section A above;
“Geoby Group”	Geoby and its subsidiaries;
“Geoby Shares”	shares of HK\$0.01 each in Geoby;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Net Debt Figure”	more particularly described in the G-Baby Agreement being the indebtedness of the Geoby Group less any cash and cash equivalents held by the Geoby Group on Completion Date;
“PUD”	Pacific United Development Limited, a company incorporated in the British Virgin Islands;
“SB China”	SB China Holdings Pte Limited, a company incorporated in Singapore;
“SB China Agreement”	the agreement dated 27th May, 2003 between SB China and the Company whereby, inter alia, SB China agreed to sell and the Company agreed to buy the 2003 Geoby Shares;
“SBC Deed of Discharge”	the deed of discharge between the Company and SB China in relation to the SB China Agreement as described in paragraph D of this announcement;
“Shares”	shares of a par value of HK\$0.20 each in the Company;
“Shareholder(s)”	holder of (a) Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tax Indemnity”	the tax indemnity entered into by the Vendor in favour of G-Baby described in paragraph C6 above;

“Transactions”	the Geoby Agreement, the G-Baby Agreement and the Dividend Agreement and transactions contemplated thereunder;
“Vendors”	the Company, Capital Force, SB China, CRF and PUD;
“Working Capital”	the working capital (being total current asset items minus total current liability items of the Geoby Group as more particularly described in the G-Baby Agreement) on the Completion Date;
“2003 Geoby Shares”	1,456,000 Geoby Shares sold by SB China to the Company under the SB China Agreement.

*As at date of this announcement, the Company has four executive Directors, being Messrs. Lao Yuan Yi, Xin Shulin, Steve, Yeung Wai Kin and Hu Yi Ming, one non-executive director being Mr Kwok Lam Kwong, Larry, and three independent non-executive Directors, being Prof. Woo Chia Wei and Mr. Yu Qi Hao and Mr. Liu Ji.*

By Order of the Board  
**Fist Shanghai Investments Limited**  
**Lao Yuan Yi**  
*Chairman*

Hong Kong, 10th November, 2005

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