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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 227)

(the “Company”)

TOP-UP PLACING, SUBSCRIPTION OF NEW SHARES MOVEMENT IN PRICE AND TRADING VOLUME OF SHARES AND RESUMPTION OF TRADING

The Vendor has interest in about 12.84% of the issued share capital of the Company as at the date of this announcement.

On 7th June, 2007, the Vendor, at the request of the Company, entered into (a) a placing agreement with the Placee, an independent investor, for the placing of 47.5 million existing Shares, to the Placee at a price of HK\$2.05 per Share; and (b) a conditional agreement with the Company for the subscription of 47.5 million new Shares at the same price.

The Company also entered into two conditional agreements with the Subscribers, two independent investors, on 7th June, 2007 for the subscription of an aggregate of 47.5 million Shares at a price of HK\$2.05 per Share.

The Top-up Placing and the New Shares Subscription are independent transactions and their respective completion is not conditional on completion of the other.

The Top-up Placing and the New Shares Subscription are effected to raise fund for the Company. The Company will use the net proceeds of the Top-up Placing and the New Shares Subscription of approximately HK\$194 million as general working capital.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6th June, 2007 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 12th June, 2007.

1. TOP-UP PLACING

1.1 Placing agreement dated 7th June, 2007 (the “Placing Agreement”)

Vendor:

Lao Yuan Yi (the “Vendor”)

The Vendor is the Chairman, an executive director and a substantial shareholder of the Company.

As at the date of this announcement, the Vendor has direct and indirect interest in 163,168,000 shares of HK\$0.20 each of the Company (“Shares”), representing about 12.84% interest in the Company based on a total of 1,271,022,649 Shares in issue.

Number of Shares to be sold:

47.5 million existing Shares (the “Placing Shares”), representing about 3.74% of the Company’s existing issued share capital.

Placee:

Best State Investments Limited (the “Placee”)

Price

HK\$2.05 per Placing Share

Rights:

The Placing Shares are sold free from all third party rights and together with all rights and dividends and distributions declared, paid or made in respect thereof after the date of the Placing Agreement, save for the final dividend for the year ended 31st December, 2006.

Independence of Placee:

The Placee and its beneficial owner(s) are independent of the Company and its connected persons (as defined in the Listing Rules). It is independent of and not acting in concert with the Vendor or any party acting in concert with him. According to the Placee, it together with its parties acting in concert will not have interest in 30% or more of the issued share capital of the Company as a result of the acquisition of the Placing Shares.

Completion of placing:

It is scheduled that the placing will be completed on 12th June, 2007 or on the business day when the trading of the Shares resumes on the main board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) after the signing of the Placing Agreement, whichever is the earlier.

1.2 Subscription agreement dated 7th June, 2007 (the “Top-up Subscription Agreement”)**Subscriber:**

The Vendor

Number of new Shares subscribed for:

47.5 million new Shares (the “Top-up New Shares”), representing about 3.74% of the Company’s existing issued share capital and about 3.60% of its issued share capital as enlarged by the issue of the Top-up New Shares.

Price:

HK\$2.05 per Top-up New Share, same as the price under the Placing Agreement.

The Company will bear all the costs and expenses of the Vendor under the Placing Agreement and the Top-up Subscription Agreement.

Conditions of the Top-up Subscription Agreement:

The subscription is conditional upon:

- (a) the completion of the placing;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Top-up New Shares; and
- (c) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “SFC”) waiving any obligation of the Vendor (and its concert parties) to make a general offer for all the issued shares of the Company as a result of the Top-up Subscription Agreement (the “Waiver”).

None of the above conditions can be waived by the parties to the Top-up Subscription Agreement.

The Waiver may be granted by the SFC under Note 6 of the Notes on dispensations from Rule 26 of The Code on Takeovers and Merger. The Vendor will apply to the SFC for the Waiver.

If the conditions are not fulfilled on or before 18th June, 2007 (or such later date as the parties may mutually agree, subject to compliance of all the relevant requirements of the Listing Rules), the Top-up Subscription Agreement will lapse.

Completion of the Top-up Subscription Agreement:

Within 14 days of the date of the Placing Agreement (i.e. 21st June, 2007) and after the conditions of the Top-up Subscription Agreement have been fulfilled (or such later date as the parties may agree, subject to compliance of all the relevant requirements of the Listing Rules).

2. SUBSCRIPTION OF NEW SHARES

Two subscription agreements both dated 7th June, 2007 (the “Subscription Agreements”)

Subscribers:

1. Keywise Greater China Master Fund (“KGCM”)
 2. Keywise Greater China Opportunities Master Fund (“KGCO”)
- (collectively the “Subscribers”)

Number of new Shares subscribed for:

The Subscribers agree to subscribe for an aggregate of 47.5 million new Shares (the “New Subscription Shares”) as follows:

KGCM	:	14,250,000 New Subscription Shares
KGCO	:	33,250,000 New Subscription Shares

The New Subscription Shares represent about 3.74% of the Company’s existing issued share capital, about 3.60% of its issued share capital as enlarged by the issue of the New Subscription Shares and about 3.48% of its issued share capital as enlarged by the issue of the New Subscription Shares and the Top-up New Shares (together “the New Shares”).

Price:

HK\$2.05 per New Subscription Share

Independence of the Subscribers:

Each of the Subscribers is independent of the Company and its connected persons (defined in the Listing Rules). Each of the Subscribers is independent of and not acting in concert with the Vendor or any party acting in concert with him. According to the Subscribers, they together with their respective parties acting in concert will not have interest in 30% or more of the issued share capital of the Company as a result of the acquisition of the New Subscription Shares.

None of the Subscribers held any interests in the securities of the Company as at the date of this announcement.

Condition of the subscription:

The subscription is conditional on the granting of a listing of and permission to deal in the New Subscription Shares by the Listing Committee of the Stock Exchange.

If the condition is not fulfilled on or before 25th June, 2007 (or such other date as the parties may mutually agree), the Subscription Agreements will lapse.

Completion of subscription:

Fourth business day after the condition of the Subscription Agreements has been fulfilled (or such other date as the parties may agree).

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the New Shares.

THE PLACING AND SUBSCRIPTION PRICE

The price of HK\$2.05 per Share under each of the Placing Agreement, the Top-up Subscription Agreement and the Subscription Agreements represents a discount of approximately 18.65% to the closing price of HK\$2.52 per Share quoted on the Stock Exchange on 5th June, 2007; a discount of approximately 8.8% to the average closing price of HK\$2.248 per Share quoted on the Stock Exchange for the 5 trading days up to and including 5th June, 2007; and a discount of approximately 10.32% to the average closing price of HK\$2.286 per Share quoted on the Stock Exchange for the 10 trading days up to and including 5th June, 2007.

The aforesaid price is determined at arm's length basis and the directors of the Company (including independent non-executive directors) consider that the price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

MANDATE TO ISSUE THE NEW SHARES

The New Shares are to be issued under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed on 25th May, 2007.

RANKING OF THE NEW SHARES

The New Shares, when fully paid, will rank equally with the existing issued shares of the Company save for not being entitled to the final dividend for the year ended 31st December, 2006 of the Company.

REASON FOR THE TOP-UP PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The top-up placing effected through the Placing Agreement and the Top-up Subscription Agreement (the "Top-up Placing") and the subscription of new Shares by the Subscribers under the Subscription Agreements (the "New Shares Subscription") are effected to raise fund for the Company. The Company will use the estimated aggregate net proceeds of the Top-up Placing and the New Shares Subscription of approximately HK\$194 million as general working capital. The Company will make further announcement if there is subsequent change of intention on the use of such proceeds.

The Top-up Placing and the New Shares Subscription are independent transactions and their respective completion is not conditional on completion of the other. As the Placee and the Subscribers indicated to the Company their interests in acquiring shares of the Company around the same time, the Company proceeded the Top-up Placing and the New Shares Subscription together. The Placee initially approached the Company for placing of new Shares. During the negotiation process, the Placee and the Company agreed to proceed with the placing of Shares by way of top-up placing.

EQUITY FUND RAISING EXERCISE IN THE PREVIOUS 12 MONTHS

The Company did not have any equity fund raising exercise in the 12 months immediately preceding this announcement.

CONTROLLING SHAREHOLDERS' INTERESTS IN THE COMPANY

China Assets (Holdings) Limited ("China Assets"), a company whose shares are listed on the Stock Exchange and holds 248,249,300 Shares (representing 19.53% of the issued share capital of the Company) as at the date of this announcement. Its holding in the Company will be reduced to 18.17% upon completion of the Top-up Placing and the New Shares Subscription.

EFFECT OF THE TOP-UP PLACING AND THE NEW SHARES SUBSCRIPTION ON SHAREHOLDING STRUCTURE

Reference is made to the announcement of the Company dated 16th May, 2007 and the Company's circular dated 4th June, 2007 both relating to, among other things, the issue of convertible bonds (the "Convertible Bonds") with the aggregate principal amount of HK\$31.86 million to the Vendor and Ms Lao Yuan, Vivian ("Ms Vivian Lao") alias Lao Yuan Yuan (the daughter of the Vendor) as part of the consideration for the acquisition of the entire issued share capital of, and loans advanced to, HK Sunshine Real Estate Limited. The table below sets out the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Placing Agreement but before the issue of the Top-up New Shares; (iii) immediately upon completion of the Top-up Placing; (iv) immediately upon completion of the New Shares Subscription; (v) immediately upon completion of the Top-up Placing and the New Shares Subscription; and (vi) immediately upon full exercise of the Convertible Bonds (assuming at the initial conversion price of HK\$1.32 per Share) and outstanding options of the Company to subscribe for an aggregate of 64,972,000 Shares (as to options granted to directors and other employees of the Company to subscribe for 43,318,000 Shares and 21,654,000 Shares respectively) following the Top-up Placing and the New Shares Subscription respectively:

Shareholders	As at the date of this announcement		Upon completion of the Placing Agreement but before the issue of the Top-up New Shares (without taking into account the effect of completion of the Subscription Agreements) (Note 1)		Upon completion of the Top-up Placing (without taking into account the effect of the New Shares Subscription) (Note 1)		Upon completion of the New Shares Subscription (without taking into account the effect of the Top-up Placing) (Note 1)		Upon completion of the Top-up Placing and the New Shares Subscription (Note 1)		Upon full exercise of the Convertible Bonds and the outstanding options following the Top-up Placing and the New Shares Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>The Vendor and its concert parties</i>												
Mr Lao Yuan Yi	163,168,000 (Note 2)	12.84	115,668,000	9.10	163,168,000	12.38	163,168,000	12.38	163,168,000	11.95	177,525,636 (Note 3)	12.20
Ms Vivian Lao	—	—	—	—	—	—	—	—	—	—	26,722,727 (Note 4)	1.84
China Assets	248,249,300	19.53	248,249,300	19.53	248,249,300	18.83	248,249,300	18.83	248,249,300	18.17	248,249,300	17.06
<i>Sub-total</i>	<u>411,417,300</u>	<u>32.37</u>	<u>363,917,300</u>	<u>28.63</u>	<u>411,417,300</u>	<u>31.21</u>	<u>411,417,300</u>	<u>31.21</u>	<u>411,417,300</u>	<u>30.12</u>	<u>452,497,663</u>	<u>31.10</u>
<i>Directors</i>												
Mr Xin Shulin, Steve	16,612,640	1.31	16,612,640	1.31	16,612,640	1.26	16,612,640	1.26	16,612,640	1.22	24,644,640 (Note 5)	1.69
Mr Yeung Wai Kin	8,982,304	0.71	8,982,304	0.71	8,982,304	0.68	8,982,304	0.68	8,982,304	0.66	28,824,304 (Note 5)	1.98
Mr Kwok Lam Kwong, Larry, J.P.	—	—	—	—	—	—	—	—	—	—	1,000,000 (Note 5)	0.07
Prof. Woo Chia Wei	—	—	—	—	—	—	—	—	—	—	1,000,000 (Note 5)	0.07
Mr Yu Qi Hao	—	—	—	—	—	—	—	—	—	—	1,000,000 (Note 5)	0.07
Mr Liu Ji	—	—	—	—	—	—	—	—	—	—	500,000 (Note 5)	0.03
<i>Public</i>												
The Placee	—	—	47,500,000	3.74	47,500,000	3.60	—	—	47,500,000	3.48	47,500,000	3.26
KGCM	—	—	—	—	—	—	14,250,000	1.08	14,250,000	1.04	14,250,000	0.98
KGCO	—	—	—	—	—	—	33,250,000	2.52	33,250,000	2.43	33,250,000	2.29
Other public shareholders	834,010,405	65.62	834,010,405	65.62	834,010,405	63.25	834,010,405	63.25	834,010,405	61.05	850,664,405	58.46
<i>Sub-total</i>	<u>834,010,405</u>	<u>65.62</u>	<u>881,510,405</u>	<u>69.35</u>	<u>881,510,405</u>	<u>66.85</u>	<u>881,510,405</u>	<u>66.85</u>	<u>929,010,405</u>	<u>68.01</u>	<u>945,664,405</u>	<u>64.99</u>
Total	<u>1,271,022,649</u>	<u>100.00</u>	<u>1,271,022,649</u>	<u>100.00</u>	<u>1,318,522,649</u>	<u>100.00</u>	<u>1,318,522,649</u>	<u>100.00</u>	<u>1,366,022,649</u>	<u>100.00</u>	<u>1,455,131,012</u>	<u>100.00</u>

Notes:

- On the assumption that none of the outstanding options is exercised from the date of this announcement up to the completion of the Placing Agreement, the Top-up Subscription Agreement and the Subscription Agreements, as the case may be.

2. 72,952,000 Shares are owned by Kinmoss Enterprises Limited (“Kinmoss”), the issued share capital of which is wholly beneficially owned by the Vendor. The balance of 90,216,000 Shares are directly beneficially owned by him.
3. These comprise 72,952,000 Shares owned by Kinmoss and 104,573,636 Shares owned by him directly, which include 2,413,636 Shares issuable to him upon exercise of the conversion rights under the Convertible Bonds with the principal amount of HK\$3,186,000 and 11,944,000 Shares issuable to him upon exercise of the outstanding option of the Company granted to him.
4. This comprise 21,722,727 Shares issuable to her upon exercise of the conversion rights under the Convertible Bonds with the principal amount of HK\$28,674,000 and 5,000,000 Shares issuable to her upon exercise of the outstanding option of the Company granted to her.
5. These represent Shares issuable to them respectively upon exercise of the outstanding options of the Company granted to them to subscribe for Shares respectively.

REASONS FOR THE WAIVER

As the Vendor is a director of China Assets, they are presumed to be parties acting in concert under the Code on Takeovers and Merger unless the contrary is established.

On the basis that no further new Shares will be issued prior to completion of the Top-up Placing and the New Shares Subscription, the total holding of the Vendor and China Assets in the Company will be reduced from about 32.37% to about 28.63% upon completion of the Placing Agreement and will be increased to about 30.12% upon completion of the Top-up Placing and the New Shares Subscription, which will trigger the obligation of the Vendor and his concert parties to make a general offer for all the issued Shares of the Company. For that reason, the Waiver will be applied for by the Vendor.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company and its subsidiaries are principally engaged in property development, securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicles meters and components, investment holding, property holding and management.

INFORMATION ON THE PLACEE AND THE SUBSCRIBERS

According to the Placee, the Placee is an exempt company incorporated with limited liability under the laws of the Cayman Islands. It is a wholly owned subsidiary of Citic Capital Holdings Limited which is owned as to 50% by each of Citic Pacific Limited and Citic International Financial Holdings Limited, shares of both of which are listed on the Stock Exchange. The principal activity of the Placee is investment holding. It is independent of and not acting in concert with any of the Subscribers.

According to the Subscribers, both of the Subscribers are offshore funds with investors mainly in the United States and a substantial portion of their assets are in the Greater China market. The Subscribers are open-ended funds open for professional investors but not the general public. Each of the Subscribers is independent of and not acting in concert with the Placee.

MOVEMENT IN PRICE AND TRADING VOLUME OF SHARES

The directors of the Company have noted the increases in the price and trading volume of the shares of the Company on 5th June, 2007 and wish to state that they are not aware of any reasons for such increases.

The directors of the Company also confirm that save for the Top-up Placing and the New Shares Subscription disclosed herein, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

SUSPENSION AND 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 6th June, 2007 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 12th June, 2007.

By order of the Board
Yeung Wai Kin
Executive Director

Hong Kong, 11th June, 2007

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which make any statement in this announcement misleading.

As at the date of this announcement, the executive directors of the Company are Messrs. Lao Yuan Yi, Xin Shulin, Steve, Yeung Wai Kin and Hu Yi Ming, the non-executive director is Mr Kwok Lam Kwong, Larry, J.P. and the independent non-executive directors are Messrs. Woo Chia Wei, Liu Ji and Yu Qi Hao.

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