
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in First Shanghai Investments Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the
Independent Board Committee and the Independent Shareholders**

Nuada Limited
Corporate Finance Advisory

A letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 26 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders are set out on page 14 of this circular.

A notice convening an extraordinary general meeting to be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at 4:30 p.m. on Thursday, 7 April 2016 is set out on pages 31 to 32 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

17 March 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 22 January 2016 entered into among the Company, Mr. Lo and the Purchaser in respect of the Disposal
“Announcement”	the announcement issued by the Company dated 22 January 2016 in relation the Agreement
“Articles”	the Articles of Association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“BVI”	the British Virgin Islands
“China Assets”	China Assets Holdings Limited (Stock Code: 170), 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 1992
“Code”	The Hong Kong Code on Takeovers and Mergers
“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
“Completion”	completion of the sale and purchase of the Disposal Shares in accordance with the Agreement
“Completion Date”	the date when the Completion takes place, which shall be the third business day from the date on which the Independent Shareholders have approved the Agreement, or such later date as the parties to the Agreement may agree in writing (subject to fulfilment or waiver of all other Conditions Precedent)
“Conditions Precedent”	the conditions precedent to the Disposal under the Agreement

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$104,286,430, being the consideration for the purchase of the Disposal Shares
“Directors”	the directors of the Company
“Disposal”	the disposal of the Disposal Shares by the Company to the Purchaser pursuant to the Agreement
“Disposal Share(s)”	the 25,522,866 ordinary shares in China Assets beneficially owned by the Vendor, representing approximately 33.25% of the total issued shares in China Assets
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the entering into of the Agreement by the Company and the transactions contemplated thereunder
“Golad”	Golad Resources Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders other than Mr. Lo and his associates and concert parties, and all parties involved in or interested in the Disposal, if any
“Last Trading Day”	22 January 2016, being the last trading day immediately prior to the release of the Announcement
“Latest Practicable Date”	11 March 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2016, or such other date as may be agreed by the parties to the Agreement
“Mr. Lo”	Mr. LO Yuen Yat, being (i) the Chairman and an executive Director of the Company and a substantial Shareholder who, together with his family members, holds the entire issued share capital of the Purchaser and is beneficially interested in an aggregate of approximately 13.82% of the total issued shares in the Company as at the Latest Practicable Date; and (ii) the chairman of the board of directors of China Assets and a shareholder of China Assets which holds approximately 0.29% of the total issued shares in China Assets as at the Latest Practicable Date
“Mr. Yeung”	Mr. YEUNG Wai Kin, who is an executive Director of the Company and also a non-executive director of China Assets and currently holds approximately (i) 0.1% of the total issued shares in China Assets and (ii) 0.8% of the total issued shares in the Company as at the Latest Practicable Date
“PRC” or “Mainland China”	The People’s Republic of China
“Purchaser”	New Synergies Investments Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Lo and his family members
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Executive”	has the meaning ascribed thereto under the Code
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of illustration only, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.

LETTER FROM THE BOARD



FIRST SHANGHAI INVESTMENTS LIMITED

第一上海投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

Executive Directors:

Mr. LO Yuen Yat (*Chairman*)

Mr. XIN Shulin

Mr. YEUNG Wai Kin

Registered office:

Room 1903, Wing On House

71 Des Voeux Road Central

Hong Kong

Non-executive Director:

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Principal place of business in

Hong Kong:

19th Floor, Wing On House

71 Des Voeux Road Central

Hong Kong

Independent non-executive Directors:

Prof. WOO Chia Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiao He

17 March 2016

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement, in which the Board announced that on 22 January 2016 (after trading hours), the Company entered into the Agreement with the Purchaser and Mr. Lo, pursuant to which, inter alia, (i) the Company conditionally agreed to the sale of the Disposal Shares currently held by an indirect wholly-owned subsidiary of the Company, representing approximately 33.25% of the total issued shares in China Assets, to the Purchaser for the Consideration; and (ii) Mr. Lo agreed to provide an unconditional and irrevocable guarantee in favour of the Company of the due and punctual payment of all amounts payable by the Purchaser under the Agreement and undertake to the Company to procure the due and punctual performance by the Purchaser of all its other obligations contained or implied in the Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Disposal, recommendations from the Independent Board Committee in respect of the Disposal, the advice from Nuada to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

Details of the Agreement are summarised as follows:

Date of the Agreement	:	22 January 2016
Purchaser	:	New Synergies Investments Company Limited, a company incorporated in Hong Kong and is wholly-owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members
Vendor	:	The Company
Subject matter	:	The Disposal Shares, being 25,522,866 shares in China Assets, representing approximately 33.25% of the total issued shares in China Assets, currently held by Golad and ultimately owned by the Company

Consideration

Pursuant to the Agreement, the Consideration for the sale and purchase of the Disposal Shares shall be in the total sum of HK\$104,286,430, which shall be settled in cash by the Purchaser to the Company on the Completion Date.

The Consideration was determined after arm's length negotiations between the parties to the Agreement based on normal commercial terms with reference to the recent closing prices of the China Assets' shares as quoted on the Stock Exchange. The selling price of HK\$4.086 per Disposal Share (the "**Sale Price**") represents:

- (i) a premium of approximately 9.5% over the closing price of approximately HK\$3.730 per share of China Assets as quoted on the Stock Exchange on 22 January 2016, being the Last Trading Day;
- (ii) a premium of approximately 10.7% over the average closing price of approximately HK\$3.690 per share of China Assets as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 9.8% over the average closing price of approximately HK\$3.723 per share of China Assets as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a slight discount of approximately 1.1% to the closing price of approximately HK\$4.13 per share of China Assets as at the Latest Practicable Date; and
- (v) a discount of approximately 84.5% over the unaudited consolidated net assets value per China Assets' share of approximately US\$3.38 (equivalent to approximately HK\$26.3) as disclosed in China Assets' interim report for the six months ended 30 June 2015.

The Directors (including the independent non-executive Directors) are of the view that despite the considerable discount for the Sale Price to the unaudited consolidated net asset value per China Assets' share as stated above, the Consideration is still fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole after taking into account, among others, the persistently volatile financial markets, the adverse global economic environment and the extremely low liquidity of the China Assets' shares over the years.

Conditions Precedent

Completion of the sale and purchase of the Disposal Shares pursuant to the Agreement shall be conditional upon, inter alia, the satisfaction of the Conditions Precedent, which include, amongst others:

- (i) the Purchaser having obtained a ruling or confirmation by the Takeovers Executive that if the Purchaser and persons acting in concert with it for the purposes of the Code acquire statutory control of China Assets for the purposes of Note 8 to Rule 26 of the Code as a result of the transactions contemplated under the Agreement it will not be required to make an offer pursuant thereto for the Company; and
- (ii) the Company having obtained the necessary approvals from the Independent Shareholders with respect to the transactions contemplated under the Agreement (the “**Independent Shareholders' Approval**”).

Pursuant to the Agreement, the first Condition Precedent specified above can be waived by the Purchaser (but not by the Company) at any time, whilst the requirement for the Independent Shareholders' Approval cannot be waived. In the event that any of the Conditions Precedent is not fulfilled or, where permitted, waived by the Long Stop Date, the parties agreed that the Agreement will lapse, and become null and void and they will be released from all obligations thereunder, save in respect of any antecedent breaches and claims.

As disclosed in the announcement of the Company dated 29 February 2016, the Company has been informed by the Purchaser following receipt of a confirmation from the Takeovers Executive on 26 February 2016 (the “**Confirmation**”) that the Purchaser and Mr. Lo was confirmed that they are not required to make a general offer for the Company under Note 8 to Rule 26.1 of the Code as a result of the potential mandatory cash offers which will be required to be made by the Purchaser and parties acting in concert with it for all the issued shares in China Assets (other than those shares already owned or agreed to be acquired by the Purchaser and parties acting in concert with it) and for the cancellation of all outstanding options

LETTER FROM THE BOARD

granted by China Assets pursuant to its share option scheme which entitle holder thereof to subscribe for shares in China Assets in accordance with the terms and conditions thereof (collectively the “Offers”) on the following basis:

- (a) the holding of China Assets in the Company is not significant in relation to China Assets given that the relative value of the holding in the Company as compared to China Assets in terms of net asset value and net profit is less than 60%; and
- (b) notwithstanding that immediately after Completion the Purchaser and parties acting in concert with it will be interested in approximately 33.54% of the total issued shares in China Assets as at the date of the said announcement and therefore will be required under Rule 26.1 and 13.5 of the Code to make the Offers (which will be conditional only on the Purchaser and persons acting in concert with it holding more than 50% of the voting rights in China Assets and may acquire statutory control of China Assets as a result), the main purposes of the Purchaser of acquiring control of China Assets was for long term investment and not for acquisition or consolidation of control of the Company.

Accordingly, based on the Confirmation, Condition Precedent (i) above had been fulfilled as at the Latest Practicable Date.

Completion

Completion of the sale and purchase of the Disposal Shares shall take place on the day that is three business days following the satisfaction of the above Conditions Precedent.

Upon Completion, China Assets will cease to be an associated company of the Group. The profit and loss and assets and liabilities of China Assets will no longer be equity-accounted for in the consolidated financial statements of the Group.

Guarantee and undertaking by Mr. Lo

Pursuant to the Agreement, Mr. Lo has agreed to (i) provided an unconditional and irrevocable guarantee in favour of the Company of the due and punctual payment of all amounts payable by the Purchaser under the Agreement; and (ii) undertaken to the Company to procure the due and punctual performance by the Purchaser of all its other obligations contained or implied in the Agreement.

INFORMATION ON CHINA ASSETS

China Assets is an “investment company” listed under Chapter 21 of the Listing Rules, and is principally engaged in the investment holding in Hong Kong and Mainland China. Up to the Latest Practicable Date, China Assets is used to be an associated company of the Group, while the Company itself conversely has also been an associated company of China Assets.

Based on the audited accounts of China Assets prepared in accordance with the HKFRSs, its net profit before and after taxation (i) for the year ended 31 December 2013 were approximately US\$1.8 million (equivalent to approximately HK\$14.1 million) and US\$3.3 million (equivalent to approximately HK\$25.5

LETTER FROM THE BOARD

million) respectively; and (ii) for the year ended 31 December 2014 were approximately US\$10.7 million (equivalent to approximately HK\$83.1 million) and US\$9.7 million (equivalent to approximately HK\$75.9 million) respectively.

Based on the interim report of China Assets for the six months ended 30 June 2015, the unaudited consolidated net asset value of China Assets was approximately US\$259.2 million (equivalent to approximately HK\$2,021.4 million). Accordingly, the 33.25% shareholding interest of which attributable to the Disposal Shares would be approximately US\$86.2 million (equivalent to approximately HK\$672.1 million). The Group's historical cost of investment in the Disposal Shares was approximately HK\$82.6 million.

REASONS FOR AND BENEFIT OF THE DISPOSAL

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

The Group has been reviewing its long-term investments from time to time over the years, and seeking appropriate opportunity to realise such investments for the purpose of re-allocating or releasing available cash resources for other better investment opportunities. Prior to the entering into of the Agreement, the Group has noted the following facts:

- (a) China Assets is an "investment company" listed under Chapter 21 of the Listing Rules, and that most of this kind of listed companies have thin trading volume and have been trading at a significant discount to their net asset value;
- (b) Other than the investment of approximately 17.5% shareholding in the Company, the other two major investments of China Assets are: (i) approximately 7.6% shareholding in Shandong Lukang Pharmaceutical Co., Ltd. ("**Lukang**") which is listed in Shanghai Stock Exchange; and (ii) 20% shareholding in Shanghai International Medical Centre Co., Ltd. ("**SIMC**") respectively;
- (c) China Assets sold a certain number of shares in Lukang in recent years but found it difficult to seek approval from the relevant regulatory bodies in the PRC to remit the sale proceeds back to Hong Kong. The Directors, having made all reasonable enquiries, understand that it might be due to the fact that China Assets invested in Lukang around 20 years ago before the listing of Lukang and it was difficult to provide sufficient documentary evidence to the relevant regulatory bodies for its long history of investment in Lukang. China Assets, being a major shareholder of Lukang, is now only allowed to sell not more than 1% of its shareholding interest in Lukang within every 3 months according to the temporary regulations recently announced by the China Securities Regulatory Commission;
- (d) SIMC commenced business in 2014 but was still in a loss-making situation. It is anticipated to incur further net loss of around RMB60 million for the year ended 31 December 2015 and would require further capital injection from its shareholders to finance its operation;

LETTER FROM THE BOARD

- (e) Taking a five-year summary, China Assets has not been operating satisfactorily with net profit/(loss) attributable to its equity shareholders fluctuating significantly of approximately HK\$32.0 million, HK\$(14.3) million, HK\$(162.4) million, HK\$25.5 million and HK\$75.9 million for the five full financial years ended 31 December 2014, respectively. On such basis, the accumulated net losses incurred by China Assets amounted to approximately HK\$(43.3) million for the same period from 2010 to 2014; and
- (f) After taken into account of the above unfavourable factors, the Company considered that the then prevailing market price of China Assets' shares had been rationally reflecting the true value of China Assets, which was closely comparable to the Sale Price of HK\$4.086 per Disposal Share.

Taking into account the above consideration and owing to the fact that China Assets has not declared any dividend since 1997, the Board has considered that the Disposal represents an opportunity for the Company to realise its investment in China Assets at the maximum possible value in an economically rational manner, which has been held by the Group for long-term investment purpose.

Based on the interim report of China Assets for the six months ended 30 June 2015, it is currently expected that the Group will record an accounting loss on the Disposal of approximately HK\$124.7 million, instead of approximately HK\$7.0 million as previously disclosed in the Announcement. The Directors would like to clarify that the significant discrepancy there between was mainly due to an inadvertent inclusion of negative goodwill amounting to approximately HK\$117.7 million which should not be recycled to profit or loss when calculating the accounting loss on the Disposal as disclosed in the Announcement. The oversight was subsequently discovered by the Directors and the auditors of the Company. Such negative goodwill has been previously classified and reported under capital reserve in the audited consolidated financial statements of the Group. Assuming the Completion takes place, although the accounting loss on the Disposal of approximately HK\$124.7 million will be recognised in the consolidated income statement for the current financial year ending 31 December 2016, the retained earnings would be increased by approximately HK\$117.7 million upon reclassifying the negative goodwill to retained earnings, so the resulting balance of retained earnings would not be adversely affected. In other words, the said inadvertent oversight would have no impact on the total equity of the Group. Such accounting loss is non-cash in nature and would not have any material adverse impact on the current and future cash flows and business operations of the Group. However, when comparing to the Group's historical cost of investment in China Assets of approximately HK\$82.6 million, it would have a gain on the Disposal of approximately HK\$21.7 million on the basis that accumulated share of profits/reserves of China Assets of approximately HK\$28.7 million had been equity-accounted for in the consolidated financial statements of the Group over the years following the acquisitions.

It is expected that the estimated net proceeds from the Disposal of approximately HK\$104 million will be applied as follows:

- (i) approximately HK\$20.8 million will be used for general working capital of the Group in particular for its stock-broking business; and
- (ii) the remaining approximately HK\$83.2 million will be used to finance its property and hotel projects located in Paris, France and Zhongshan City, the Guangdong Province, the PRC.

LETTER FROM THE BOARD

The Directors consider that the Disposal will enable the Group to focus on its core businesses, and to allocate more financial resources to the development of these businesses, and they also believe that this will be beneficial to the Group.

The terms and conditions of the Disposal were arrived at after arm's length negotiations between the parties to the Agreement. The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Discloseable transaction

As the applicable percentage ratios in respect of the Agreement exceed 5% but are less than 25%, the entering into of the Agreement by the Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Connected transaction

The Purchaser is wholly-owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members. As such, the Purchaser is a connected person of the Company. In addition, Mr. Lo is also a shareholder and the chairman of the board of directors of China Assets.

As the Purchaser is a connected person of the Company, the entering into of the Agreement by the Company also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) Mr. Lo has a material and direct interest in the transactions contemplated under the Agreement as disclosed above; and (ii) Mr. Yeung, an executive Director, is also a non-executive director of China Assets and holds approximately 0.1% of the total issued shares in China Assets as at the Latest Practicable Date, Mr. Lo and Mr. Yeung have abstained from voting on the entering into of the Agreement by the Company at the relevant Board meeting. However, Mr. Yeung's respective personal interests in approximately 0.1% and 0.8% of the total issued shares in China Assets and the Company, respectively, would not affect his voting right at the EGM and he therefore will not be required to abstain from voting thereat, on the basis that Mr. Yeung himself as a Shareholder does not have any material and direct interests in the Agreement.

As at the Latest Practicable Date, China Assets itself holds approximately 17.45% of the issued Shares of the Company, but has not appointed any director to the Company. Mr. Lo and Mr. Yeung were appointed as the directors of the Company due to their executive roles in the management of the Company. China Assets has never interfered the management and the Board decision of the Company. In particular, China Assets itself has no direct material interests in the Disposal and the Agreement.

Furthermore, throughout the process of conducting the Disposal, Mr. Lo and Mr. Yeung have been abstaining, and will abstain, from voting in all resolutions concerning the Disposal and the Agreement at all board of directors' meetings of the Company as well as China Assets. The Board considers that, other than Mr. Lo and Mr. Yeung, China Assets has totally three independent non-executive directors and one non-

LETTER FROM THE BOARD

executive director (excluding Ms. LAO Yuan Yuan who is the daughter of Mr. Lo) in the board of directors of China Assets, who are in a position and able to consider the Disposal and the Agreement independently without any influence of or interference by either the Company, Mr. Lo or Mr. Yeung. On such basis, the Company is of the view that China Assets is not required to abstain from voting for or against the resolution to approve the Agreement and the transactions contemplated thereunder at the forthcoming EGM under Rule 2.16 of the Listing Rules.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Agreement was entered into on normal commercial terms, and whether the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on page 14 of this circular.

Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Agreement was conducted in the ordinary and usual course of business of the Group, and whether the terms of the Disposal are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Nuada is set out on pages 15 to 26 of this circular.

RECOMMENDATION

The Directors (including independent non-executive Directors) believe that the terms of the Disposal and the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

THE EGM

A notice convening the EGM to be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at 4:30 p.m. on Thursday, 7 April 2016 for the purpose of considering and, if thought fit passing, with or without amendments, the ordinary resolution(s) to approve the Disposal by entering into of the Agreement and the transactions contemplated thereunder is set out on pages 31 to 32 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information in respect of the Company set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
First Shanghai Investments Limited
YEUNG Wai Kin
Executive Director and Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FIRST SHANGHAI INVESTMENTS LIMITED

第一上海投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

17 March 2016

To the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY**

We refer to the circular of the Company dated 17 March 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you as to whether the Disposal is conducted in the ordinary and usual course of business of the Company; the terms of the Disposal are fair and reasonable insofar as the Independent Shareholders are concerned; and whether the Disposal is in the interest of the Company and the Shareholders as a whole. Nuada has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Nuada as set out in its letter of advice to you and us on pages 15 to 26 of the Circular, we are of the opinion that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole, even though the Disposal is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Disposal.

Yours faithfully,

Independent Board Committee

First Shanghai Investments Limited

LIU Ji

YU Qihao

ZHOU Xiaohe

WOO Chia-Wei

Independent non-executive Directors

LETTER FROM NUADA

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal and the transaction contemplated thereunder prepared for the purpose of incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F
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Sheung Wan, Hong Kong
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協成行上環中心18樓1805-08室

17 March 2016

*To the Independent Board Committee
and the Independent Shareholders
of First Shanghai Investments Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Disposal, details of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular dated 17 March 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement, in which the Board announced that on 22 January 2016 (after trading hours), the Company entered into the Agreement with the Purchaser and Mr. Lo, pursuant to which, inter alia, (i) the Company conditionally agreed to sell the Disposal Shares currently held by an indirect wholly-owned subsidiary of the Company, representing approximately 33.25% of the total issued shares in China Assets, to the Purchaser for the Consideration; and (ii) Mr. Lo agreed to provide an unconditional and irrevocable guarantee in favour of the Company of the due and punctual payment of all amounts payable by the Purchaser under the Agreement and undertake to the Company to procure the due and punctual performance by the Purchaser of all its other obligations contained or implied in the Agreement.

The Purchaser is wholly-owned by Mr. Lo, being the Chairman and an executive Director of the Company and a substantial Shareholder, and his family members. As such, the Purchaser is a connected person of the Company. In addition, Mr. Lo is also a shareholder and the chairman of the board of directors of China Assets. As the Purchaser is a connected person of the Company, the entering into of the Agreement by the Company also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Agreement was entered into on normal commercial terms, and whether the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Agreement was conducted in the ordinary and usual course of business of the Group, and whether the terms of the Disposal are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we are independent from, and not associated with the Company or any other party to the Agreement, or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the terms of the Agreement and the transactions contemplated thereunder. During the past two years prior to our appointment as the Independent Financial Adviser in relation to the Agreement and the Disposal, there was no engagement between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with the engagements as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other party to the Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

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We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group, China Assets and/or any of their respective subsidiaries and/or associated companies and the markets in which they respectively operate.

In formulating our advices, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Agreement and the transactions contemplated thereunder. We disclaim any undertaking or obligation to advise any person of any change in any facts or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreement and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Disposal, we have taken into account the following principal factors and reasons:

1. Background information of the Group and China Assets

(a) *Financial information of the Group*

According to the management of the Company and the interim report of the Company for the six months ended 30 June 2015 (the "**Interim Report 2015**"), the Group is principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

For the year ended 31 December 2014

According to the annual report of the Company for the year ended 31 December 2014 (the "**Annual Report 2014**"), the Group recorded a revenue of approximately HK\$501.6 million for the year ended 31 December 2014, representing a slight increase of approximately 9.1% as compared to that of approximately HK\$459.6 million for the year ended 31 December 2013. Meanwhile, the consolidated net profit attributable to Shareholders amounted to approximately HK\$205.4 million for the year ended 31 December 2014, representing a significant increase of approximately 391.0% growth as compared with that of approximately HK\$41.9 million for the year ended 31 December 2013. As disclosed in the Annual Report

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2014 and advised by the management of the Company, such increase in net profit was mainly attributable to the recognition of an one-off gain amounted to approximately HK\$210.0 million on disposal of interest in subsidiaries which are principally engaged in pharmaceutical services.

For the six months ended 30 June 2015

As set out in the Interim Report 2015, the Group recorded a revenue of approximately HK\$303.0 million for the six months ended 30 June 2015, representing an increase of approximately 37.4% as compared to that of approximately HK\$220.5 million for the six months ended 30 June 2014. Meanwhile, the consolidated net profit attributable to shareholders of the Company amounted to approximately HK\$87.7 million for the six months ended 30 June 2015, representing a significant increase of approximately 30.7 times growth as compared with that of approximately HK\$2.8 million for the six months ended 30 June 2014. As disclosed in the Interim Report 2015 and advised by the management of the Company, such increase in net profit was mainly attributable to (i) the satisfactory performance of the corporate finance and stockbroking segment of the Group driven by market growth and business expansion, which recorded a segment revenue of approximately HK\$231.2 million for the six months ended 30 June 2015 with an growth of approximately 121.1% as compared with last corresponding period; and (ii) share of results of associated companies, i.e. China Assets, of the profit realised from an one-off disposal of part of the investment of China Assets in a pharmaceutical company listed in Shanghai, namely Shandong LuKang Pharmaceutical Company Limited (“**Lukang**”).

(b) Financial Information on China Assets

China Assets is an “investment company” listed under Chapter 21 of the Listing Rules, and is principally engaged in the investment holding in Hong Kong and Mainland China. Up to the Latest Practicable Date, China Assets is used to be an associated company of the Group, while the Company itself conversely has also been an associated company of China Assets.

Based on the audited accounts of China Assets prepared in accordance with the HKFRSs, its net profit before and after taxation (i) for the year ended 31 December 2013 were approximately US\$1.8 million (equivalent to approximately HK\$14.1 million) and US\$3.3 million (equivalent to approximately HK\$25.5 million) respectively; and (ii) for the year ended 31 December 2014 were approximately US\$10.7 million (equivalent to approximately HK\$83.1 million) and US\$9.7 million (equivalent to approximately HK\$75.9 million) respectively.

Based on the interim report of China Assets for the six months ended 30 June 2015 (the “**CA Interim Report**”), the unaudited consolidated net asset value of China Assets was approximately US\$259.2 million (equivalent to approximately HK\$2,021.4 million). Accordingly, the 33.25% shareholding interest of China Assets of which attributable to the Disposal Shares would be approximately US\$86.2 million (equivalent to approximately HK\$672.1 million). The Group’s historical cost of investment in the Disposal Shares was approximately HK\$82.6 million.

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(c) *Prospect of China Assets*

We have discussed with the management of the Company and were provided a list of top ten investments (the “**Investments**”) of China Assets and its subsidiaries (“**China Assets Group**”) as at 30 June 2015. Based on the aforesaid list and adjusted the carrying amounts of some of the Investments which are listed companies on the Stock Exchange or the Shanghai Stock Exchange based on their respective shares’ closing prices on 31 December 2015, we noticed that the carrying amount of the Investments as at 31 December 2015 was approximately US\$160.4 million. More specifically, the carrying amounts of two of the Investments, namely, the shares of Lukang and the Company respectively accounted for approximately 59.5% and 26.5% (collectively approximately 86.0%) of the total carrying amount of the Investments.

As stated above in the paragraph headed “(a) Financial information of the Group”, the Group is principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management. We notice from the Interim Report 2015 that the corporate finance and stockbroking segment of the Group accounted for approximately 76.3% of the total revenue of the Group for the six months ended 30 June 2015. We are of the view that the recent performance of the Hong Kong stock market, in particular the general decreasing trend of the Hang Seng Index from approximately 21,914 points on 31 December 2015 to as low as approximately 18,319 points on 12 February 2016 (with a short term reversal to approximately 20,119 points on the Latest Practicable Date), cast uncertainty as to the financial performance of the Group. The market price per Share as quoted on the Stock Exchange also fell by approximately 10.1% from HK\$1.29 on 31 December 2015 to HK\$1.16 on the Latest Practicable Date.

With reference to the CA Interim Report as well as discussion with the management of the Company, we understand that China Assets intends to dispose of its remaining shares in Lukang (the “**Lukang Share(s)**”) when the market price is attractive to its cost of investment, which is subject to shareholders’ approval and restriction imposed by the China Securities Regulatory Commission (“**CSRC**”). However, we noted that CSRC has published “Rules regarding disposal of shares of listed issuers by its substantial shareholders, executive directors and supervisors” (《上市公司大股東、董監高減持股份的若干規定》, the “**Disposal Rules**”) effective since 9 January 2016 which, among other restrictions, restrict any shareholder of listed issuers in the PRC from disposing of his respective shares representing more than 1% of the total issued shares of the respective listed issuers within any three months period. We have discussed with the management of the Company and noted that the Disposal Rules are applicable to the intended disposal of Lukang Shares by China Assets Group. Also, we notice that the market price of Lukang Share as quoted on the Shanghai Stock Exchange has fell by approximately 33.4% from RMB13.35 on 31 December 2015 to RMB8.89 on the Latest Practicable Date.

As discussed above in relation to the prospects and share price performances of the Company and Lukang, having considered that (i) in view of the performance of Hong Kong stock market, there remains uncertainty on the financial performance of the Group which is driven mainly by the corporate finance and stockbroking segment in recent years; (ii) China Assets intends to dispose of its remaining Lukang Shares, being the largest investment of China Assets Group accounting for approximately 56.5% of total carrying amounts of the Investments as at 30 June 2015; (iii) the

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Disposal Rules impose restrictions on the disposal of the Lukang Shares held by China Assets; and (iv) the market price of Lukang Shares has decreased by approximately 33.4% since 31 December 2015, we are cautious of the prospect of China Assets.

2. Reasons for and benefits of the Disposals

Owing to the fact that China Assets has not declared any dividend since 1997 (although it had retained earnings available for distribution in years 1996 and from 2006 to 2011), the Disposal represents an opportunity for the Company to realise its investment in China Assets at the maximum possible value in an economically rational manner, which has been held by the Group for long-term investment purpose over 17 years.

Based on the CA Interim Report, it is currently expected that the Group will record an accounting loss on the Disposal of approximately HK\$124.7 million. According to the Letter from the Board, although the accounting loss on the Disposal of approximately HK\$124.7 million will be recognised in the consolidated income statement of the Group for the current financial year ending 31 December 2016, the retained earnings would be increased by approximately HK\$117.7 million upon reclassifying the negative goodwill to retained earnings, so the resulting balance of retained earnings would not be adversely affected. Such accounting loss is non-cash in nature and would not have any material adverse impact on the current and future cash flows and business operations of the Group. However, when comparing to the Group's historical cost of investment in China Assets of approximately HK\$82.6 million, it would have been a gain on the Disposal of approximately HK\$21.7 million on the basis that accumulated share of profits/reserves of China Assets of approximately HK\$28.7 million had been equity-accounted for in the consolidated financial statements of the Group over the years following the acquisitions.

It is expected that the estimated net proceeds from the Disposal of approximately HK\$104 million will be applied as follows:

- (i) approximately HK\$20.8 million will be used for general working capital of the Group in particular for its stock-broking business; and
- (ii) the remaining approximately HK\$83.2 million will be used to finance its property and hotel projects located in Paris, France and Zhongshan City, the Guangdong Province, the PRC.

The Directors consider that the Disposal will enable the Group to focus on its core businesses, and to allocate more financial resources to the development of these businesses, and they also believe that this will be beneficial to the Group. Having considered the prospect of China Assets as detailed above, we are of the view and concur with the view of the management of the Company that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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3. Analysis of the Sale Price

(a) Comparison of the market prices of the Shares

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties to the Agreement based on normal commercial terms with reference to the recent closing prices of the shares of China Assets (the "CA Share(s)") as quoted on the Stock Exchange. The selling price of HK\$4.086 per Disposal Share (the "Sale Price") represents:

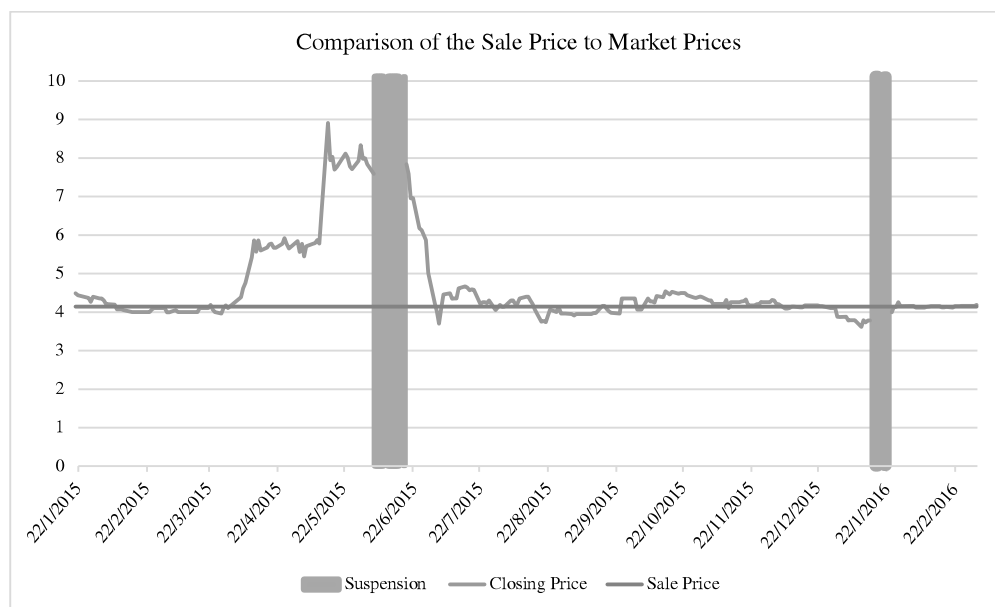
- (i) a premium of approximately 9.5% over the closing price of approximately HK\$3.730 per CA Share as quoted on the Stock Exchange on 22 January 2016, being the Last Trading Day;
- (ii) a premium of approximately 10.7% over the average closing price of approximately HK\$3.690 per CA Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 9.8% over the average closing price of approximately HK\$3.723 per CA Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including Last Trading Day;
- (iv) a discount of approximately 1.1% to the closing prices of HK\$4.13 per CA Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 84.5% to the unaudited consolidated net assets value per CA Share of approximately US\$3.38 (equivalent to approximately HK\$26.3) as disclosed in China Assets' interim report for the six months ended 30 June 2015.

As disclosed above, the Sale Price represents (i) a premium over the relevant closing price of the CA Share prior to the entering into of the Agreement; (ii) a discount to the unaudited consolidated net asset per CA Share as at 30 June 2015; and (iii) a discount to the closing price of the CA Share on the Latest Practicable Date.

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(b) *Historical market prices of the CA Shares*

The following chart sets out the closing prices of the CA Shares as quoted on the Stock Exchange during the period from 22 January 2015, being the date which is 12 months prior to the Last Trading Day, i.e. 22 January 2016, up to and including the Latest Practicable Date (the “**Review Period**”):



Source: Website of the Stock Exchange (www.hkex.com.hk)

Note: During the Review Period, trading in the CA Shares was suspended from 9 June 2015 to 22 June 2015, and from 25 January 2015 to 29 January 2015 respectively.

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the recent trend of the closing prices of the CA Shares and the Sale Price. As illustrated by the above chart, at the beginning of the Review Period, the closing price of the CA Shares dropped slightly from HK\$4.43 on 22 January 2015 to below the Sale Price in early February 2015 and fluctuate in a close range around HK\$4 until late March 2015. The closing price of the CA Share experienced two upsurge in mid-April and mid-May respectively to slightly less than HK\$6 and around HK\$8 respectively, with a short term sideways trend in-between. We noted that China Assets published an announcement on 18 May 2015 stating that the board of directors of China Assets confirms that it was not aware of any reasons for the increases in price and trading volume of the CA Shares. Trading of CA Shares was suspended from 9 June 2015 to 22 June 2015 pending the release of the announcement in relation to the aforementioned disposal of part of the investment of China Assets in LuKang. The closing price of the CA Share fell significantly after the resumption of trading in the CA Shares from slightly less than HK\$8 to around HK\$4, and experienced a long term sideways trend around HK\$4 per CA Share since then for around seven months and up to the Latest Practicable Date.

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During the Review Period, the highest and lowest closing price of the Shares during the Review Period were HK\$8.81 per Share recorded on 18 May 2015 (“**Highest Closing Price**”) and HK\$3.57 per Share recorded on 18 January 2016 (“**Lowest Closing Price**”) respectively, with an average closing price of the Review Period of approximately HK\$4.54 (“**Average Closing Price**”). The Sale Price represents (i) a discount of approximately 53.62% to the Highest Closing Price; (ii) a premium of approximately 14.45% over the Lowest Closing Price; and (iii) a slight discount of approximately 10.00% to the Average Closing Price.

(c) Historical unaudited consolidated net assets value per CA Share

We also carry out comparison of market price of CA Shares to the unaudited consolidated net assets value per CA Share (“**NAV**”) as at the end of each month during the Review Period (except March 2016 as the Latest Practicable Date is prior to the end of March 2016) as set out below:

Date	Closing Price of CA Share (HK\$) (Note 1)	NAV (US\$) (Note 2)	NAV (HK\$) (Note 3)	Discount of closing price to NAV (Note 3)
31 January 2015	4.34	2.5556	19.93	78.23%
28 February 2015	4.05	2.5344	19.77	79.51%
31 March 2015	4.05	2.8832	22.49	81.99%
30 April 2015	5.58	3.1263	24.39	77.12%
31 May 2015	7.62	3.4318	26.77	71.53%
30 June 2015	6.05	3.3800	26.36	77.05%
31 July 2015	4.25	2.9351	22.89	81.44%
31 August 2015	3.95	2.7428	21.39	81.54%
30 September 2015	4.30	2.7369	21.35	79.86%
31 October 2015	4.38	3.0131	23.50	81.36%
30 November 2015	4.12	2.9606	23.09	82.16%
31 December 2015	4.10	3.0022	23.42	82.49%
31 January 2016	3.73	2.6314	20.52	81.83%
29 February 2016	4.06	2.5432	19.84	79.53%
		Average		79.69%

Notes:

1. The closing prices of CA Share as quoted on the Stock Exchange as at the end of each month or, if the relevant dates are not trading days, the trading days immediately prior to them.
2. The NAVs as announced monthly by China Assets or, for the NAV as at 30 June 2015, as disclosed in the CA Interim Report.
3. The NAVs in US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80 for calculating the discount. No representation is made that any amounts in US\$ or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.

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We noted that the closing prices of CA Share have always represented deep discounts to the NAV during the Review Period, ranging from a minimum of approximately 71.53% as at 31 May 2015 to a maximum of approximately 82.49% as at 31 December 2015 with an average of approximately 79.69% for the Review Period. Accordingly, discounts represented by the Sale Price of approximately (i) 84.5% to the NAV as at 30 June 2015; and (ii) 79.41% to the NAV as at 29 February 2016, are both close to the aforesaid average discount to NAV of approximately 79.69% during the Review Period.

However, we consider that (i) the trading price of the CA Shares is determined in an open market which is a fair market price, i.e. it is the value a buyer is willing to pay for and a seller is willing to sell for each CA Share on the Stock Exchange; and (ii) the NAV is a reference to the value of the CA Share that may be returned to the shareholders of CA Shares if China Assets is put under liquidation but it is not a cash value which the shareholders of CA Shares may require China Assets to pay in return for each CA Share. Accordingly, we are of the view that it is more appropriate to ascertain the Sale Price based on the historical market prices of the CA Shares than the NAV, the analysis of which is set out above in the paragraph headed “(b) Historical market prices of the CA Shares” above.

(d) Historical trading volume of the CA Shares

Set out in the table below are figures for each month or period during the Review Period regarding (i) the number of trading days of the CA Shares; (ii) the total trading volume of the CA Shares; (iii) the average daily trading volume of the CA Shares; and (iv) the percentage of average daily trading volume of the CA Shares to the total number of issued CA Shares:

Month	Number of trading days <i>(Note 1)</i>	Trading volume of the CA Shares	Average daily trading volume of the CA Shares	Percentage of average daily trading volume to the total number of issued CA Shares <i>(Note 2)</i>
2015				
January (from 22 January 2015)	5	480,000	96,000	0.13%
February	18	255,000	14,167	0.02%
March	22	220,000	10,000	0.01%
April	19	4,336,900	228,258	0.30%
May	19	8,873,000	467,000	0.61%
June	12	4,175,000	347,917	0.45%
July	22	3,555,000	161,591	0.21%
August	21	690,000	32,857	0.04%
September	20	255,000	12,750	0.02%
October	20	290,000	14,500	0.02%
November	21	380,000	18,095	0.02%
December	22	240,000	10,909	0.01%

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Month	Number of trading days (Note 1)	Trading volume of the CA Shares	Average daily trading volume of the CA Shares	Percentage of average daily trading volume to the total number of issued CA Shares (Note 2)
2016				
January	15	335,000	22,333	0.03%
February	19	1,455,000	76,579	0.10%
March (up to and including the Latest Practicable Date)	9	150,010	16,668	0.02%
Review Period	264	25,689,910	97,310	0.13%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Note:

1. Excluding the days on which trading of the CA Shares was suspended.
2. Based on the number of issued CA Shares as at the Latest Practicable Date, which remained the same throughout the whole Review Period.

As illustrated in the table above, the average daily trading volume of the CA Shares during the Review Period recorded the lowest of approximately 10,000 CA Shares in March 2015 and highest of approximately 467,000 CA Shares in May 2015, representing approximately 0.01% and 0.61% respectively of the total number of issued CA Shares as at the end of the relevant month. The average of the daily trading volume during the Review Period was 97,310 CA Shares, representing approximately 0.13% of the total number of issued CA Shares as at the Latest Practicable Date.

Having consider that (i) all of the monthly/period average daily trading volume of the CA Shares during the Review Period (save for May 2015 and June 2015, which are 0.61% and 0.45% respectively); and (ii) the average daily trading volume of the CA Shares throughout the Review Period are all not more than 0.3%, we consider that the trading volume of the CA Shares is relatively low during the Review Period. We also note that the total trading volume of the CA Shares for the whole Review Period is 25,689,910, which is only slightly more than the total number of 25,522,866 Disposal Shares held by the Group.

In view of the thin historical trading volume of the CA Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the CA Shares for the Group to dispose of a significant number of CA Shares, i.e. approximately 33.25% of the total issued CA Shares, in the open market without causing an adverse impact on the market price level of the CA Shares. Accordingly, the market trading price of the CA Shares may not necessarily reflect the proceeds that

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the Group can receive by the disposal of its Disposal Shares in the open market. Also taking into account that China Assets has not declared any dividend since 1997, the Disposal represents an assured opportunity for the Group to dispose of the Disposal Shares at the Sale Price to realise its investment in China Assets without creating a significant downside pressure on the trading price of the CA Shares.

(e) Our view on the Sale Price

Although the Sale Price represents a discount to the NAV as stated in the paragraph headed “(c) Historical unaudited consolidated net assets value per CA Share” above, having taken into account

- (i) the Sale Price represents a premium of approximately 9.5% over the closing price of approximately HK\$3.730 per CA Share on 22 January 2016, being the last trading day prior to the issue of the Announcement;
- (ii) the closing prices of the CA Share have always represented deep discounts to the NAVs during the Review Period (except March 2016 where public information are not available as the Latest Practicable Date is prior to the end of March 2016) with an average of approximately 79.69%; and
- (iii) the thin historical trading volume of the CA Shares casted uncertainty as to whether there would be sufficient liquidity in the CA Shares for the Group to dispose of a significant number of CA Shares, i.e. approximately 33.25% of the total issued CA Shares, in the open market without causing an adverse impact on the market price level of the CA Shares,

we are of the view that the Sale Price is fair and reasonable.

RECOMMENDATION

Notwithstanding that the Disposal is not in the ordinary and usual course of business of the Company, having considered the above principal factors and reasons, we are of the view that (i) the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 12 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests of each Directors and chief executive in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of SFO) as recorded in the register required to be kept by the Company under section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

Directors		Number of Shares and underlying Shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat (<i>Note</i>)	Long position	108,349,636	72,952,000	181,301,636	12.94%
Mr. XIN Shulin	Long position	8,032,000	–	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	19,904,304	–	19,904,304	1.42%
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	Long position	1,000,000	–	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	–	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	–	500,000	0.04%
Mr. Zhou Xiaohu	Long position	160,000	–	160,000	0.01%

Note: 72,952,000 Shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

(b) Interests in respect of an associated corporation:

Directors			Number of Shares and underlying Shares held		% of issued share capital of the associated corporation
			Personal interests	Total	
Mr. LO Yuen Yat	China Assets	Long position	975,000	975,000	1.27%
Mr. YEUNG Wai Kin	China Assets	Long position	850,000	850,000	1.11%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives had any interest in the Shares, underlying Shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

In addition, as at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which has any interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Positions held in China Assets
Mr. LO Yuen Yat	Executive director
Mr. YEUNG Wai Kin	Non-executive director

3. DIRECTORS' SERVICE CONTRACTS

Each of the non-executive Directors of the Company has entered into a service contract with the Company for a term of two years, subject to his re-appointment by the Company at its general meeting upon retirement by rotation pursuant to the Articles.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date,

- (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, apart from their service contracts;
- (ii) none of the Directors and his/her respective close associates had any competing interests (as would be required to disclose under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder); and
- (iii) save for Mr. Lo's and Mr. Yeung's respective interest in the Disposal and the transactions contemplated under the Agreement as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

6. QUALIFICATIONS AND CONSENTS OF EXPERT

The following is the qualifications of the Independent Financial Adviser who has given opinions or advice contained or referred to in this circular:

Name	Qualifications
Nuada	a licensed corporation to carry out Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Nuada had no interest, direct or indirect, in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Nuada had no interest, direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office of the Company in Hong Kong at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Articles;
- (b) the Agreement;
- (c) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

- (d) the letter from the Independent Financial Adviser containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from Nuada” in this circular;
- (e) the service contracts of the non-executive Directors with the Company referred to in the paragraph headed “Directors’ Service Contracts” in this appendix;
- (f) the written consent of the expert referred to in the paragraph headed “Qualifications and Consent of Expert” in this appendix; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FIRST SHANGHAI INVESTMENTS LIMITED

第一上海投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the abovenamed company (the “**Company**”) will be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at 4:30 p.m. on Thursday, 7 April 2016 for the purposes of considering and, if thought fit, passing the following ordinary resolutions:

“THAT:

- (a) the execution, delivery and performance of the sale and purchase agreement dated 22 January 2016 entered into among the Company, Mr. Lo Yuen Yat and New Synergies Investments Company Limited (the “**Agreement**”) (a copy of the Agreement has been produced to the meeting and marked “A” and initiated by the chairman of the meeting for identification purposes) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) any one director of the Company be and is hereby authorised to sign, agree, ratify, perfect, execute or deliver (including under seal where applicable) such documents and to do or authorise doing all such acts and things incidental to the Agreement and the transactions contemplated thereunder as he may in his absolute discretion consider necessary, desirable or expedient and in the best interest of the Company in connection with the implementation of, giving effect to or completion of the Agreement and the transactions contemplated thereunder.”

By order of the Board
First Shanghai Investments Limited
YEUNG Wai Kin
Executive Director and Company Secretary

Hong Kong, 17 March 2016

Registered Office:
Room 1903, Wing On House
71 Des Voeux Road Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, **not less than 48 hours** before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from Friday, 1 April 2016 to Thursday, 7 April 2016, both days inclusive, during which period no transfer of Share will be effected. In order to determine the entitlement to attend and vote at the EGM, all Share transfers accompanied by the relevant Share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 31 March 2016.