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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in First Shanghai Investment Limited you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

**ACQUISITION OF ASSETS
DISCLOSEABLE AND CONNECTED TRANSACTION**

**INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE
AND THE INDEPENDENT SHAREHOLDERS**



CHINA EVERBRIGHT CAPITAL LIMITED

A notice convening an extraordinary general meeting of First Shanghai Investments Limited to be held at 3:00 p.m. on 22nd June, 2007 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong is set out on pages 46 to 47 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

4th June, 2007

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DEFINITIONS

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

“Agreement”	the agreement dated 11th May, 2007 between the Vendors and the Company relating to the sale and purchase of the entire issued share capital of, and the benefit of loans of HK\$20,627,610 advanced by the Vendors to, HK Sunshine
“Assigned Loan”	the loans in the total sum HK\$20,627,610 advanced by the Vendors to HK Sunshine to be assigned to the Company pursuant to the Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Balance Purchaser Price”	RMB32,900,000, being the balance of the purchase price due under the Land Transfer Agreement
“Balance Shareholder’s Loan”	HK\$21,372,000, being the balance of loans advanced by the Vendors to HK Sunshine after deducting the Assigned Loan
“Bureau”	無錫市國土資源局 (Wuxi Municipal State Land Resources Bureau)
“China Assets”	China Assets (Holdings) Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“China Everbright”	China Everbright Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Board”	the board of Directors
“Company”	First Shanghai Investments Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
“Convertible Bonds”	Convertible bonds of the Company to be issued to the Vendors pursuant to the Agreement
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at 3:00 p.m. on 22nd June, 2007, notice of which is set out on pages 46 to 47 of this circular
“Group”	the Company and its subsidiaries
“HK Sunshine”	HK Sunshine Real Estate Limited, a company incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Woo Chia Wei, Liu Ji and Yu Qi Hao, formed for the purpose of advising the Independent Shareholders regarding the Agreement
“Independent Shareholders”	shareholders of the Company other than Mr Lao, Ms Lao and their respective associates
“Land”	a piece of land in south of Gaolang Road and west of Xishi Road, Wuxi, Jiangsu Province, the PRC with a site area of 25,178.3 sq.m.
“Land Transfer Agreement”	an agreement dated 28th December, 2006 between HK Sunshine and the Bureau, as supplemented by an agreement dated 28th March, 2007 between them and Wuxi Sunshine relating to the grant of use of the Land
“Latest Practicable Date”	1st June, 2007, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Lao”	Lao Yuan Yi alias Lo Yuen Yat
“Ms Lao”	Lao Yuan, Vivian alias Lao Yuan Yuan
“Outstanding Option(s)”	outstanding option(s) granted under the share option scheme of the Company as at the Latest Practicable Date
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) of HK\$0.20 each in the share capital of the Company
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	DTZ Debenham Tie Leung Limited
“Vendors”	Mr Lao and Ms Lao
“Wuxi Sunshine”	Wuxi Sunshine Real Estate Limited (無錫香山置業發展有限公司), a wholly owned foreign enterprise in the PRC and a wholly owned subsidiary of HK Sunshine
“HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America

LETTER FROM THE BOARD



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

Directors:

Mr Lao Yuan Yi (*Chairman*)
Mr Xin Shulin, Steve
Mr Yeung Wai Kin
Mr Hu Yi Ming
Mr Kwok Lam Kwong, Larry, *J.P.**
Prof. Woo Chia Wei**
Mr Liu Ji**
Mr Yu Qi Hao**

Registered office:

Room 1903
Wing On House
71 Des Voeux Road Central
Hong Kong

* *Non-executive Director*

** *Independent non-executive Directors*

4th June, 2007

To the shareholders

Dear Sir or Madam,

ACQUISITION OF ASSETS DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

It was announced on 16th May, 2007 that the Company entered into an agreement with the Vendors on 11th May, 2007 for the acquisition of the entire issued share capital of, and the benefit of loans of HK\$20,627,610 advanced to, HK Sunshine for an aggregate consideration of HK\$53.96 million. The Agreement constitutes a connected transaction under the Listing Rules which requires the approval of the Independent Shareholders.

An independent board committee comprising Messrs. Woo Chia Wei, Liu Ji and Yu Qi Hao (all being independent non-executive Directors) has been appointed to advise the Independent Shareholders in respect of the Agreement. The Company has appointed China Everbright as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE BOARD

The purpose of this circular is to give you further details of the Agreement and to convene an extraordinary general meeting to consider and, if thought fit, pass the necessary resolution to approve the Agreement.

AGREEMENT DATED 11TH MAY, 2007

Parties:

Vendors: Mr Lao and Ms Lao

Purchaser: the Company

Assets acquired:

10 shares of HK\$1 each (representing the entire issued share capital) of, and the benefit of loans of HK\$20,627,610 advanced by the Vendors to, HK Sunshine which are owned by Mr Lao and Ms Lao in the proportion of 10% and 90% respectively. Upon completion of the Agreement, HK Sunshine will become a wholly owned subsidiary of the Company and accounts of which will be consolidated into that of the Company.

HK Sunshine is a company incorporated in Hong Kong on 6th December, 2006. It and its wholly owned subsidiary are principally engaged in property investment.

On 28th December, 2006, HK Sunshine and the Bureau entered into an agreement (which is supplemented by an agreement dated 28th March, 2007 between the Bureau, HK Sunshine and Wuxi Sunshine) whereby Wuxi Sunshine is granted the use of a piece of land in Wuxi of Jiangsu Province, the PRC at the price of RMB52,900,000 (HK\$53,931,550), RMB20,000,000 (HK\$20,390,000) of which have been paid. The balance of RMB32,900,000 (HK\$33,541,550) was payable on 31st May, 2007. The Company has been informed by the Vendors that the due date for payment of the balance purchase price for the Land has been extended to 30th June, 2007.

Particulars of the Land are as follows:-

- | | | | |
|----|-------------------|---|---|
| 1. | Location | : | South of Gaolang Road and west of Xishi Road,
Wuxi, Jiangsu Province, the PRC |
| 2. | Site area | : | 25,178.3 sq.m. |
| 3. | Usage of the Land | : | Commercial, office (5 star hotel), residential (service apartment only, which shall not exceed 20% of the total gross floor area) |
| 4. | Land use period | : | Commercial 40 years
Residential 70 years
Others 50 years |
| 5. | Height limit | : | 90 meters |

LETTER FROM THE BOARD

6. Timetable for development stated in the Land Transfer Agreement:

31st August, 2007	commencement of construction work
31st March, 2008	completion of construction work for not less than 25% of the total construction area
31st December, 2008	completion of construction work

The unaudited consolidated total assets value of HK Sunshine as at 10th May, 2007 is approximately HK\$42 million, which assets mainly comprise deposit payment for acquisition of the Land of about HK\$20.4 million and bank balance of about HK\$20.3 million. The unaudited net asset value of HK Sunshine as at 10th May, 2007 was at a negative figure of HK\$12,600 as HK Sunshine's issued share capital is only HK\$10 while all of its investments and payments made have been financed by shareholders' loans. After excluding the Assigned Loan which will be assigned to the Company upon completion, the net asset value of HK Sunshine is approximately HK\$21 million.

Consideration:

HK\$53.96 million, HK\$22.1 million of which is to be paid in cash and the balance of HK\$31.86 million to be satisfied by the issue of the Convertible Bonds, a summary of the terms of which is set out in Appendix I. There is no prior transaction consideration which has to be aggregated with that under the Agreement pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The consideration in cash and the principal amount of the Convertible Bonds to be paid and issued to the Vendors respectively at completion are as follows:

	Cash	Principal amount of Convertible Bonds
Mr Lao	HK\$2,210,000	HK\$3,186,000
Ms Lao	HK\$19,890,000	HK\$28,674,000

The Valuer, an independent valuer, has valued the capital value of the Land in existing state based on the direct comparison approach at RMB86.86 million as at 31st March, 2007 on the assumption that the Certificate for the Use of State-owned Land is obtained. The consideration was arrived at after arm's length negotiations and with reference to the said valuation of the Land by the Valuer with deduction of the Balance Purchase Price (in the sum of RMB32,900,000 (HK\$33,541,550)). On this basis the Directors consider that the terms of acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

The conversion price of HK\$1.32 per Share (the "Conversion Price") (subject to adjustment) under the Convertible Bonds represents (i) a discount of about 0.75% to the closing price of HK\$1.33 per Share quoted on the Stock Exchange on 11th May, 2007; (ii) a premium of about 15.6% over the average closing price of HK\$1.142 per Share for the five trading days from 7th May, 2007 to 11th May, 2007 (both dates inclusive); (iii) a premium of about 18.39% over the average closing price of HK\$1.115 per Share for the 10 trading days from 27th April, 2007 to 11th May, 2007 (both dates inclusive); and (iv) a discount of about 38.6% to the closing price of HK\$2.15 per Share on

LETTER FROM THE BOARD

the Latest Practicable Date. If the holders of the Convertible Bonds exercise the conversion right in full at the initial conversion price of HK\$1.32 per Share, a total of 24,136,363 Shares (which may be different in case of adjustment to the conversion price) will be issued, representing about 1.93% of the existing issued share capital of the Company and 1.89% of the issued share capital of the Company as enlarged by such issue.

Application has been made to the Listing Committee of the Stock Exchange for a listing of and permission to deal in the new shares of the Company to be issued upon exercise of the conversion rights under the Convertible Bonds.

Settlement of outstanding and further shareholders' loans:

The existing interest free shareholders' loans advanced by the Vendors to HK Sunshine amount to HK\$41,999,610 in total. Upon completion, the Company will be assigned the benefits of the Assigned Loan with the balance of shareholders' loans in the total sum of HK\$21,372,000 left outstanding.

The Company has undertaken to procure HK Sunshine to repay the Balance Shareholders' Loan and further interest free shareholders' loans of not more than RMB35,016,000 (HK\$35,698,812) which may be advanced by the Vendors to HK Sunshine and Wuxi Sunshine prior to completion of the Agreement for payment of the Balance Purchase Price and deed tax for the Land, the total of which will not be more than HK\$57,070,812 (based on the exchange rate of HK\$1.0195 for RMB1), within 3 months after completion.

The original purchase cost of the assets to be sold to the Company, which comprises the entire issued share capital of HK Sunshine and the Assigned Loan only, to the Vendors is about HK\$20.6 million as at 16th May, 2007.

Payment terms:

The cash portion of the purchase price will be paid and the Convertible Bonds (under which the Company has no redemption right) will be issued on completion.

Funding:

The purchase price to be paid in cash will be funded from internal resources and available banking facilities.

Conditions of the Agreement:

Completion of the Agreement is conditional upon:

- (a) the approval of the Independent Shareholders at an extraordinary general meeting of the Company as required by the Listing Rules; and
- (b) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the new Shares upon exercise of the Convertible Bonds.

LETTER FROM THE BOARD

If the conditions are not fulfilled on or before 30th June, 2007 (or such other date as the parties may mutually agree) the Agreement will lapse.

Completion date:

The Agreement is expected to be completed on the 3rd business day following the Agreement becoming unconditional.

Financial effect on the Group

As development of the Land is expected to complete in the end of 2008 to early 2009, the Company does not expect the acquisition of the subject assets will bring earnings to the Group in the near future. After Completion, HK Sunshine will become a wholly owned subsidiary of the Company and accounts of which will be consolidated into that of the Company. Hence, both assets and liabilities of the Group will increase by approximately HK\$54 million.

POTENTIAL CHANGE OF SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there were Outstanding Options to subscribe for an aggregate of 84,562,000 Shares held by the following persons:

<i>Option holders</i>	<i>Number of Shares entitled to Subscribe for</i>
<i>Executive Directors</i>	
Mr Lao Yuan Yi	11,944,000
Mr Xin Shulin, Steve	19,842,000
Mr Yeung Wai Kin	26,822,000
<i>Non-executive Director</i>	
Mr Kwok Lam Kwong, Larry, J.P.	1,000,000
<i>Independent Non-executive Directors</i>	
Prof. Woo Chia Wei	1,000,000
Mr Yu Qi Hao	1,000,000
Mr Liu Ji	500,000
Ms Lao	5,000,000
Other employees	<u>17,454,000</u>
	<u><u>84,562,000</u></u>

LETTER FROM THE BOARD

The shareholding structure of the Company as at the Latest Practicable Date (which will be the same as that upon completion of the Agreement assuming no further new Shares are issued up to the completion date); that upon full exercise of the conversion rights under the Convertible Bonds by the Vendors (with all Outstanding Options unexercised); and that upon full exercise of the Convertible Bonds and the Outstanding Options is set out below:

Shareholders	As at the		Upon full exercise		Upon full exercise	
	Latest Practicable Date		of the Convertible Bonds		of the Convertible	
	<i>Number</i>	<i>Approximate</i>	<i>Number</i>	<i>Approximate</i>	<i>Number</i>	<i>Approximate</i>
	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>
<i>Executive Directors</i>						
Mr Lao Yuan Yi	163,168,000 (Note 2)	13.04	165,581,636	12.98	177,525,636	13.05
Mr Xin Shulin, Steve	4,802,640	0.38	4,802,640	0.38	24,644,640	1.81
Mr Yeung Wai Kin	2,002,304	0.16	2,002,304	0.16	28,824,304	2.12
<i>Non-executive Director</i>						
Mr Kwok Lam Kwong, Larry, J.P.	-	-	-	-	1,000,000	0.07
<i>Independent Non-executive Directors</i>						
Prof. Woo Chia Wei	-	-	-	-	1,000,000	0.07
Mr Yu Qi Hao	-	-	-	-	1,000,000	0.07
Mr Liu Ji	-	-	-	-	500,000	0.04
China Assets	248,249,300	19.84	248,249,300	19.46	248,249,300	18.25
Ms Lao	-	-	21,722,727	1.70	26,722,727	1.97
	418,222,244	33.42	442,358,607	34.68	509,466,607	37.45
Public shareholders (other than stated above)	833,210,405	66.58	833,210,405	65.32	850,664,405	62.55
Total	<u>1,251,432,649</u>	<u>100.00</u>	<u>1,275,569,012</u>	<u>100.00</u>	<u>1,360,131,012</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. On the assumption that none of the Outstanding Options is exercised up to the date on which the conversion rights under Convertible Bonds are exercised in full.
2. 72,952,000 Shares are held by Kinmoss Enterprises Limited, the issued share capital of which is wholly beneficially owned by Mr Lao. The balance of 90,216,000 Shares are directly beneficially owned by him.

The exercise in full of the conversion rights under the Convertible Bonds will not result in a change of control of the Company.

REASONS FOR THE TRANSACTION

The proposed acquisition of the Land will enable the Company to expand its land bank in China at a reasonable price. The Company has present intention of developing commercial property, hotel and service apartments on the Land.

CONNECTION BETWEEN THE PARTIES

Mr Lao is the chairman, an executive Director and a substantial Shareholder of the Company. Ms Lao, an executive director of China Assets (Holdings) Limited (an associate of the Company) and the daughter of Mr Lao, is an associate of Mr Lao under Rule 14A.11(4)(b) of the Listing Rules. The Vendors therefore are connected persons of the Company.

INFORMATION FOR SHAREHOLDERS

The Group is 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.

The exchange rate for Hong Kong dollars and Renminbi adopted in this circular is HK\$1.0195 for RMB1.

EXTRAORDINARY GENERAL MEETING

You will find on pages 46 to 47 of this circular a notice of the EGM to be held at 3:00 p.m. on 22nd June, 2007 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at which an ordinary resolution will be proposed to approve the Agreement (with any amendment as may be approved by the Board) and the issue of the Convertible Bonds, voting of which will be taken on a poll.

There is enclosed a form of proxy for use at the EGM. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

LETTER FROM THE BOARD

According to the Articles of Association of the Company, before or upon the declaration of the result of voting on a show of hands on a resolution at the EGM, a poll may be demanded by or on behalf of:

- (a) by or on behalf of at least two members; or
- (b) by or on behalf of any member entitled to vote at the meeting, and holding in aggregate not less than 10 per cent. of the paid up share capital of the Company, carrying the right to vote at the meeting; or
- (c) by or on behalf of any member representing not less than one-tenth of the total voting rights of all the members having a right to vote at the meeting.

As at the Latest Practicable Date, to the extent that the Company is aware having made all reasonable enquiries, Mr Lao, Ms Lao and their associates had beneficial interests in a total of 163,168,000 Shares. They will be required to abstain from voting in respect of the resolution approving the Agreement at the EGM under the Listing Rules.

GENERAL

You are advised to read carefully the letters from the Independent Board Committee and China Everbright respectively as contained in this circular before deciding whether or not to vote in favour of the resolution to be proposed at the EGM to approve the Agreement.

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

Yours faithfully,
Yeung Wai Kin
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

4th June, 2007

To the Independent Shareholders

Dear Sir or Madam,

ACQUISITION OF ASSETS DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the documents dated 4th June, 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the Agreement and China Everbright has been appointed as the independent financial adviser to advise us in this respect.

Your attention is drawn to the letter from the Board and the letter from China Everbright containing its advice to us as set out in the Circular respectively.

Taking into account the advice from China Everbright, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Agreement is in the interests of the Company and its shareholders as a whole, and so recommend the Independent Shareholders to vote for the resolution to be proposed at the EGM.

Yours faithfully,

Woo Chia Wei Liu Ji Yu Qi Hao
Independent Board Committee

LETTER FROM CHINA EVERBRIGHT

The following is the text of the letter from China Everbright Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for inclusion in this circular.



CHINA EVERBRIGHT CAPITAL LIMITED

Room 4103-05, Far East Finance Centre, 16 Harcourt Road, Hong Kong

4th June, 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF HK SUNSHINE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the proposed acquisition of the entire issued share capital of, and the benefit of the loans (“**Initial Assigned Loan**”) of about HK\$20,627,610 advanced by the Vendors to, HK Sunshine (“**Acquisition**”). Details of the Acquisition are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 4th June, 2007 (the “**Circular**”), of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, HK Sunshine was owned by Mr. Lao Yuan Yi alias Lo Yuen Yat (“**Mr. Lao**”) and Ms. Lao Yuan, Vivian alias Lao Yuan Yuan (“**Ms. Lao**”) (collectively, “**Vendors**”) as to 10% and 90% respectively. On 11th May, 2007, the Company and the Vendors entered into the sale and purchase agreement (“**Acquisition Agreement**”) in relation to the Acquisition.

The relevant ratios of the Acquisition exceed 5% but are less than 25%. Therefore, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. In addition, Mr. Lao (being the chairman, an executive Director and a substantial shareholder of the Company) and Ms. Lao (being an executive director of China Assets (Holdings) Limited (an associate of the Company) and the daughter of Mr. Lao) are regarded as connected persons of the Company under the Listing Rules. As the consideration of the Acquisition exceeds 2.5% of the relevant ratio or HK\$10 million in absolute terms, the Acquisition therefore constitutes a non-exempt connected transaction of the Company under the Listing Rules, and is subject to the approval from the Independent Shareholders at the EGM by way of poll where Mr. Lao, Ms. Lao and their respective associates will abstain from voting according to the provisions of the Listing Rules.

LETTER FROM CHINA EVERBRIGHT

Our role as the independent financial adviser to the Independent Board Committee and the Independent Shareholders is to give our opinion as to whether the Acquisition is: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

China Everbright is independent from and not connected with the Company and its subsidiaries or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

We hereby confirm that we have performed all necessary steps as required under Rules 13.80 of the Listing Rules (including the notes thereto). As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we were not involved in the negotiations in respect of the terms of the Acquisition Agreement. Our opinions with regard to the Acquisition have been made on the assumption that the terms of the Acquisition as stipulated in the Acquisition Agreement have been fully performed in accordance with the terms thereof.

In formulating our recommendation, we have relied on the statements, information and representations provided by the management of the Company (the “**Management**”). We have assumed that all such statements, information and representations contained or referred to in the Circular provided by the Management, for which the Directors and the Management have collectively and individually accepted full responsibility, are true, accurate, and complete in all material respects at the time they were made and continue to be so as at the date hereof.

We have also relied on our discussions with the Directors and the Management regarding the statements, information and representations contained in the circular. We have been advised by the Directors and the Management that no material facts have been withheld or omitted from the information provided and referred to in the circular. The Directors and the Management have further confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or representations the omission of which would make any statement in the circular, including this letter, misleading in any material respects.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, HK Sunshine or Wuxi Sunshine.

LETTER FROM CHINA EVERBRIGHT

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons as a whole:

1 The Acquisition

1.1 *Business and strategy of the Group*

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.

As stated in the Company's annual report for the financial year ended 31st December, 2006 ("**2006 Annual Report**"), the Group has established solid track record in property development and property investment business in the PRC, and it intends to speed up its expansion plan for property development business, targeting in Yangtze River Delta and Pearl River Delta. Currently, the Group has engaged in three new property development projects: a health care and recreation property development project in Zhongshan (near Macau) and two property development projects in Kunshan (bordering with Shanghai) for office and residential use.

1.2 *Background of HK Sunshine and Wuxi Sunshine*

HK Sunshine is a company incorporated in Hong Kong on 6th December, 2006 and is principally engaged in property investment. As at the Latest Practicable Date, HK Sunshine was owned as to 10% by Mr. Lao and 90% by Ms. Lao, respectively.

Pursuant to the land transfer agreement ("**Land Transfer Agreement**") signed between Wuxi Municipal State Land Resources Bureau (無錫市國土資源局) ("**Land Resources Bureau**") and HK Sunshine on 28th December, 2006, HK Sunshine was granted the use of a piece of land in Wuxi city, the PRC (the "**Land Use Rights**") at the price of RMB52,900,000, of which RMB20,000,000 have been paid and the balance of RMB32,900,000 ("**Balance Purchase Price**") was payable by 31st May, 2007.

Since the rules and regulations on property investment/development in PRC by foreign companies requires the establishment of foreign investment enterprise in the PRC for the property development, HK Sunshine established a wholly owned foreign enterprise, Wuxi Sunshine, immediately after the grant of the Land Use Rights. On 28th March, 2007, a supplemental agreement to the Land Transfer Agreement (the "**Supplemental Agreement**") was entered into between the Land Resources Bureau, HK Sunshine and Wuxi Sunshine. Pursuant to which, the three parties thereto agreed to change the grantee of the Land Use Rights from HK Sunshine to Wuxi Sunshine with the rest of the terms and conditions of the Land Transfer Agreement remained unchanged.

LETTER FROM CHINA EVERBRIGHT

1.3 *The Land Use Rights and property development plan*

According to the Land Transfer Agreement and the Supplemental Agreement, Wuxi Sunshine (a wholly owned foreign enterprise of HK Sunshine) was granted the use of a piece of land (“**Land**”) in Wuxi New District (“**WND**”), Wuxi city, Jiangsu Province, the PRC. WND locates in the suburbs of Wuxi city, approximately 120 kilometers west of Shanghai.

The Land is located to the south of Gaolang Road (高浪路) and west of Xishi Road (錫士路), WND, Wuxi city (無錫市), Jiangsu Province, the PRC. According to the property valuation report issued by DTZ Debenham Tie Leung Limited (“**DTZ**”) on 4th June, 2007, the Land has a site area of 25,178.3 square meters, and a total gross floor area of approximately 75,534 square meters.

As advised by the Management, the following table sets out the preliminary development plan of the Land:

Land use purpose	Gross Floor Area (sq.m.) (Note)
1. 5-star Hotel	38,000
2. Office	20,000
3. Serviced apartment	15,000
4. Commercial	2,534
<hr/>	
Total	75,534

Note:

The designed gross floor area for each of the land use purpose is based on the preliminary conceptual design of the development project, which may be subject to further changes and revision.

As advised by the Management, after obtaining the approval from the Independent Shareholders with respect to the Acquisition, the construction works of the property development project will commence in the fourth quarter of 2007.

1.4 *Economic indicators of Wuxi city*

Wuxi city is located at the centre of PRC’s Yangtze Delta, reaching up north to the Yangtze River, bounded on the south by Lake Taihu, with Shanghai to its south-east and Nanjing to its north-west.

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Source: www.wnd.gov.cn

According to the statistics published by Jiangsu Bureau of Statistics (江蘇省統計局), Wuxi city had a population of approximately 4.53 million as at 31st December, 2005, up approximately 3.9% from 4.36 million as at 31st December, 2001.

The table below sets out some economic indicators of Wuxi city from 2001 to 2005:

Year	2001	2002	2003	2004	2005	CAGR (%)
Nominal GDP (RMB in billion)	136.0	158.1	190.1	235.0	280.5	19.8
Per capita GDP (RMB)	31,248	36,151	43,155	52,825	62,323	18.84
Fixed investment for properties (RMB in billion)	4.9	7.7	13.2	19.6	22.8	46.87

Source: Jiangsu Bureau of Statistics (江蘇省統計局)

As illustrated above, Wuxi city has experienced substantial economic growth in the recent years. The per capita GDP increased from RMB31,248 in 2001 to RMB62,323 in 2005, with CAGR of approximately 18.84% between 2001 and 2005. In addition, Wuxi city posted a nominal GDP of approximately RMB280.5 billion to rank second highest among cities in Jiangsu Province in 2005.

The table below sets out the top 5 cities in Jiangsu Province in term of nominal GDP in 2005:

Nominal GDP in 2005 (RMB in billion)

Suzhou city (蘇州市)	402.7
Wuxi city (無錫市)	280.5
Nanjing city (南京市)	241.1
Nantong city (南通市)	147.2
Changzhou city (常州市)	130.3

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Wuxi city has experienced a tremendous growth in the demand for residential and commercial building in the past decade due to a rapid rise in per capita GDP and rising urbanization rate. As a result, the fixed investment for properties increased from RMB4.9 billion in 2001 to RMB22.8 billion in 2005, with CAGR of approximately 46.87% between 2001 and 2005.

According to statistics released by Wuxi Statistics Bureau (無錫市統計局) on 17th March, 2007, there was an increasing contribution from tourism industry to Wuxi economy. In 2006, the total number of foreign tourists and domestic tourists visiting Wuxi city increased by 15.6% and 15.0% to approximately 761,700 persons and 30.3 million persons, respectively. The revenue contributed by tourism industry increased by 24.9% to approximately RMB37.7 billion in 2006. According to Wuxi Statistics Bureau (無錫市統計局), as at the end of 2006, there were a total of 66 star-rated hotels in Wuxi city, among which 4 were rated as five-star and 18 were rated as four-star.

1.5 Reasons for the Acquisition

As stated in the 2006 Annual Report, the Directors intend to speed up its expansion plan for property development business, targeting in Yangtze River Delta and Pearl River Delta. The Directors believe that given the strong potential of Wuxi city as one of the growth centres in Yangtze River Delta, the city's property market has optimistic prospects and will maintain a fast growth rate in the coming years. Therefore, the Acquisition provides the Group with an opportunity to capture the growth potential of the developing property market in Wuxi city on a long-term basis.

Based on the above factors, we are of the view that the Acquisition is consistent with the overall corporate strategy of the Group and is in the interests of the Company and its Independent Shareholders as a whole.

2 Valuation of the Land Use Rights

As set out in the valuation report (“**Valuation Report**”) in Appendix II to this circular, assuming all relevant land use right documents including the state-owned land use rights certificates (“**Certificate**”) have been obtained, the estimated market value of Land Use Rights as at 31st March, 2007 would be approximately RMB86,860,000. As stated in the Valuation Report, DTZ has complied with the requirements as set out in (i) The HKIS Valuation Standards on Properties (First Edition 2005) of the Hong Kong Institute of Surveyors; and (ii) Chapter 5 and Practice Note 12 of the Listing Rules in preparing the Valuation Report.

Upon review on the Valuation Report, we noted that DTZ has adopted the direct comparison approach by making reference to comparable land sales evidence as available in the relevant market. We have discussed with the DTZ on the valuation approach and understand that the income approach, which mostly represent properties under development and are asset-based in nature, would be inapplicable for valuing the Land. In addition, the DRC Approach, which is best for the estimation of the market value for completed buildings would also be inappropriate due to the undeveloped nature of the Land. Upon review, we consider that the valuation methodology adopted by DTZ is generally in line with market practice of valuing the market value of undeveloped land.

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3 The major terms of the Acquisition Agreement

3.1 *The Consideration, basis of the Consideration and payment terms*

Pursuant to the Acquisition Agreement, the Company agreed to acquire the entire issued share capital of, and the benefit of the Initial Assigned Loan of HK\$20,627,610 advanced by the Vendors to, HK Sunshine from the Vendors at the consideration of HK\$53,960,000 (“**Consideration**”), HK\$22,100,000 of which is to be paid in cash and the remaining balance of HK\$31,860,000 to be satisfied by the issue of the Convertible Bonds.

The cash consideration and the principal amount of the Convertible Bonds to be paid and issued to the Vendors respectively at completion are as follows:–

	Cash consideration	Principal amount of Convertible Bonds
Mr. Lao	HK\$2,210,000	HK\$3,186,000
Ms. Lao	HK\$19,890,000	HK\$28,674,000

As advised by the Directors, the Consideration has been determined after arm’s length negotiations between the Company and the Vendors by reference to difference between (i) independent valuation of the Land Use Rights of RMB86,860,000 as at 31st March, 2007 performed by DTZ; and (ii) the Balance Purchase Price payable to the Land Resources Bureau in accordance with the Land Transfer Agreement.

As per our discussion with the Management, both HK Sunshine and Wuxi Sunshine have not carried out any businesses since establishment save for that incidental to their establishments and the acquisition of the Land Use Rights.

3.2 *Settlement of outstanding and further shareholders’ loan*

As set out in the Letter from the Board, other than the benefit of the Initial Assigned Loan which will be transferred by the Vendors to the Company after the completion of the Acquisition, HK Sunshine was indebted to the Vendors (“**Remaining Shareholders’ Loan**”) in the aggregate principal amount of approximately H\$21,372,000 as at 10th May, 2007. As advised by the Management, the Initial Assigned Loan and the Remaining Shareholders’ Loan were provided by the Vendors mainly for purposes of (i) payment of Land Use Rights of RMB20 million; (ii) payment of the registered share capital of Wuxi Sunshine of approximately US\$2.6 million; and (iii) establishment cost and running expenses of HK Sunshine and Wuxi Sunshine.

According to the Land Transfer Agreement, Wuxi Sunshine is required to pay the Balance Purchase Price to the Land Resources Bureau by 31st May, 2007. As stated in the Letter from the Board, Company has also been informed by the Vendors that the due date for the payment of the Balance Purchase Price has been extended to 30th June, 2007. Taking into account that the

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expected completion date of the Acquisition is very close to the due date on 30th June, 2007, the Vendors agreed to advance not more than RMB35,016,000 (HK\$35,698,812) to HK Sunshine as shareholders' loan ("**Further Shareholders' Loan**") for the purpose of the settlement of the Balance Purchase Price and related deed tax, if HK Sunshine cannot arrange the payment of the Balance Purchase Price on time.

No collateral security or interest payment was required by the Vendors for the provision of the above shareholders' loan. As stated in the Letter from the Board, the Company has undertaken to procure HK Sunshine to repay the Remaining Shareholders' Loan and Further Shareholders' Loan, if any, to the Vendors within 3 months after the completion of the Acquisition.

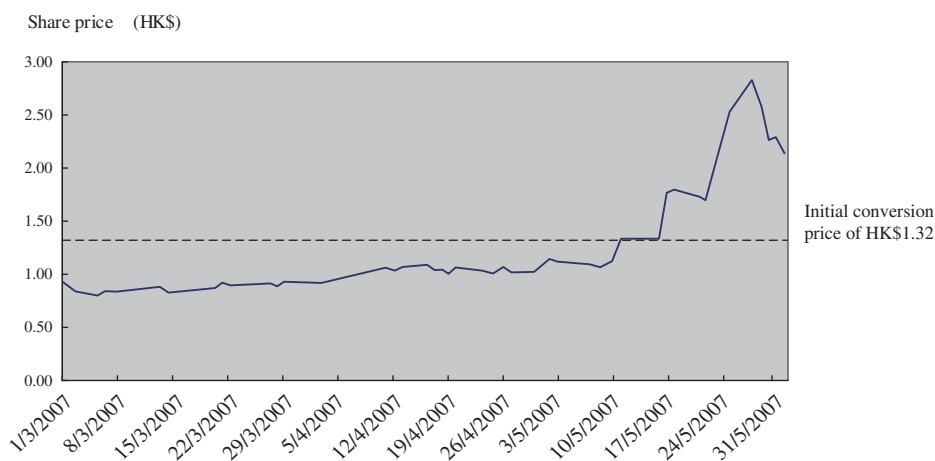
Taking into account the Consideration is determined by reference to the market value of the Land Use Rights of RMB86.86 million (or equivalent to HK\$86.86 million) which was assessed by DTZ, , with deduction of the Balance Purchase Price, we are of the view that the Consideration is fair and reasonable to the Company and the Independent Shareholders as a whole.

3.3 Major terms of the Convertible Bonds

The Convertible Bonds in the principal amount of HK\$31,860,000 will be issued to satisfy part of the Consideration. Upon full conversion of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$1.32 (the "**Conversion Price**") per conversion share ("**Conversion Share**"), a total of 24,136,363 Conversion Shares will be issued, representing approximately 1.93% of the existing issued share capital of the Company or approximately 1.89% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The initial Conversion Price is subject to subsequent adjustments. Adjustment events will include changes in the share capital of the Company, such as consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company at a discount to market price subject to the terms and conditions of the Convertible Bonds. The Convertible Bonds bear an interest of 1% payable yearly in arrear and mature two years after the issue date of the Convertible Bonds (the "**Conversion Period**"). The holders of the Convertible Bonds may convert the whole or part of the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period. Details of the principal terms of the Convertible Bonds are set out in the Letter from the Board.

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For the purpose of assessing the reasonableness and fairness of the Conversion Price, we plot out the closing price level of the Shares traded on the Stock Exchange from 2nd May, 2007 to 11th May, 2007 (being the Last Trading Day) and further up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: Website of the Stock Exchange

During the Review Period, we note that the Shares were traded on the Stock Exchange within a range of a high of HK\$2.83 on 28th May, 2007 to a low of HK\$1.07 on 8th May, 2007. In essence, the Conversion Price of HK\$1.32 per Conversion Share represents:

- a discount of approximately 38.6% to the closing price of HK\$2.15 per Share as quoted on the Stock Exchange on 1st June, 2007, being the Latest Practicable Date;
- a discount of approximately 0.8% to the closing price of HK\$1.33 per Share as quoted on the Stock Exchange on 11th May, 2007, being the closing price on the date of the Agreement;
- a premium of approximately 15.6% to the average closing price of HK\$1.142 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 11th May, 2007;
- a discount of approximately 7.0% to the net asset value per Share of HK\$1.42 based on the audited net assets of the Company of approximately HK\$1,696 million as at 31st December, 2006 and a total of approximately 1,195,166,649 Shares in issue as at 31st December, 2006.

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In order to access to the fairness and reasonableness of the Conversion Price, we also have made reference to the convertible notes/bonds/debentures issued or proposed to be issue by listed companies on the Main Board of the Stock Exchange recently. To the best of our knowledge, we have identified the following listed companies which has entered into agreement in relation to issuance or proposed issuance of convertible notes/bonds/debentures from 1st March, 2007 to 31st May, 2007 (the “Comparable Issues”):

Date of agreement	Issuer	Principal amount	Coupon	Maturity	Premium/ (discount) represented by the initial conversion price to the closing price of the last trading day immediately prior to the date of the respective announcement	Premium/ (discount) represented by the initial conversion price to the average closing price of the last five trading day immediately prior to the date of the respective announcement
2-Mar-07	Skyfame Realty (Holdings) Limited	US\$200 million	4%	6 years	7.10%	3.70%
3-Mar-07	Softbank Investment International (Strategic) Limited	HK\$89.5 million	5%	2 years	44.92%	26.58%
5-Mar-07	China Special Steel Holdings Company Limited	HK\$625 million	3%	5 years	8.17%	17.80%
12-Mar-07	Willie International Holdings Limited	HK\$200 million	Nil	2 years	(14.53)%	(13.49)%
14-Mar-07	China Rich Holdings Limited	HK\$256 million	Nil	5 years	(29.82)%	(24.36)%
15-Mar-07	Fushan International Energy Group Limited	HK\$300 million	Nil	5 years	(2.50)%	0.69%
15-Mar-07	Wonson International Holdings Limited	HK\$150 million	4%	2 years	0.00%	(2.90)%
19-Mar-07	TCL Communication Technology Holdings Limited	US\$45 million	Nil	5 years	23.58%	25.00%
22-Mar-07	Teem Foundation Group Limited	HK\$118.8 million	5%	10 years	29.41%	27.02%
29-Mar-07	Hong Kong Health Check and Laboratory Holdings Company Limited	HK\$250 million	2%	4 years	10.62%	6.47%
10-Apr-07	China Infrastructure Machinery Holdings Limited	US\$287 million	Nil	5 years	25.31%	32.62%
10-Apr-07	Cosmopolitan International Holdings Limited	Up to HK\$205 million	Nil	3 years	(12.39)%	(9.05)%
17-Apr-07	China Petroleum & Chemical Corporation	HK\$11,700 million	Nil	7 years	50.07%	48.95%
19-Apr-07	SPG Land (Holdings) Limited	RMB1,158 million	5%	5 years	35.50%	37.00%

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Date of agreement	Issuer	Principal amount	Coupon	Maturity	Premium/ (discount) represented by the initial conversion price to the closing price of the last trading day immediately prior to the date of the respective announcement	Premium/ (discount) represented by the initial conversion price to the average closing price of the last five trading day immediately prior to the date of the respective announcement
20-Apr-07	Mae Holdings Limited	HK\$51.6 million	> 5%	5 years	(90.00)% <i>(Note 1)</i>	(86.58)% <i>(Note 1)</i>
29-Apr-07	Hong Kong Pharmaceutical Holdings Limited	HK\$100 million	1%	5 years	(85.30)% <i>(Note 2)</i>	(81.79)% <i>(Note 2)</i>
30-Apr-07	New Focus Auto Tech Holdings Limited	US\$12 million	5.2%	3 years	(7.59)%	(10.00)%
30-Apr-07	Henry Group Holdings Limited	Approximately HK\$129 million	1.68%	5 years	(2.97)%	0%
2-May-07	China Velocity Group Limited	HK\$360 million	Nil	2 years	0.00%	3.09%
4-May-07	New World China Land Limited	RMB2,800 million	Nil	5 years	36.10%	42.70%
7-May-07	Wing Hing International (Holdings) Limited	HK\$15 million	1%	2 years	6.38%	(0.79)%
10-May-07	Greentown China Holdings Limited	RMB2,310 million	Nil	5 years	41.00%	40.00%
11-May-07	Midas International Holdings Limited	HK\$49.5 million	1.5%	4 years	12.50%	16.30%
11-May-07	Gome Electrical Appliances Holding Limited	RMB4,600 million	Nil	7 years	40.00%	54.00%
15-May-07	New World Development Company Limited	HK\$4,000 million	Nil	7 years	35.00%	33.56%
17-May-07	China Petroleum & Chemical Corporation	HK\$11,700 million	Nil	7 years	50.07%	48.95%
17-May-07	Chia Tai Enterprises International Limited	Approximately HK\$1,676 million	1%	3 years	70.30%	73.30%
18-May-07	TCL Multimedia Technology Holdings Limited	US\$140 million	4.5%	5 years	(27.27)%	(30.31)%
23-May-07	Wing Shing International Holdings Limited	HK\$200 million	0.5%	5 years	12.47%	28.64%
11-May-07	The Company	HK\$31.86 million	1%	2 years	(0.75)%	15.60%

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Notes:

- (i) Mae Holdings Limited was in a loss making position continuously for six years and recorded deficiency in net assets as at the latest balance sheet date.
- (ii) Conversion price of Hong Kong Pharmaceutical Holdings Limited represents a premium of approximately 180.9% over the pro forma unaudited net asset value per share.

As set out above, the conversion prices of the Comparable Issues, excluding (i) Mae Holdings Limited and (ii) Hong Kong Pharmaceutical Holdings Limited, both being outliers with extreme discount to its recent closing prices among the Comparable Issues, range from

- (i) a discount of approximately 29.82% to a premium of approximately 70.30% to/over the closing price of the shares of the Comparable Issues on their respective last trading day; and
- (ii) a discount of approximately 30.31% to a premium of approximately 73.30% to/over the average closing price of the shares of the Comparable Issues on their respective last five trading days.

For those Comparable Issues with a two-year maturity, their conversion prices range from:

- (i) a discount of approximately 14.53% to a premium of approximately 44.92% to/over the closing price of the shares of such Comparables Issues on their respective last trading day; and
- (ii) a discount of approximately 13.49% to a premium of approximately 26.58% to/over the average closing price of the shares of the Comparable Issues on their respective last five trading days.

The premium/(discount) represented by the Conversion Price over (i) the closing price of the Shares as at the Last Trading Date; and (ii) the average closing price for the last 5 trading days up to and including 11th May, 2007 is within the abovementioned ranges of the Comparable Issues.

It is also set out in the above table that the interest/coupon rate of the Comparable Issues range from nil to 5.2% per annum. The interest rate of the Convertible Bonds of 1% per annum is within the range of that of the Comparable Issues. We also note that the interest rate of the Convertible Bonds is below the six-month Hong Kong Interbank Offered Rate (“HIBOR”) of 4.81% as at the Latest Practicable Date.

Despite the shareholding of the public Shareholders in the Company may be diluted by the issue of the Convertible Bonds, given that (i) the premium represented by the Conversion Price is within the abovementioned ranges of the Comparable Issues; (ii) the coupon rate of the Convertible Bonds of 1% per annum is within the range of that of the Comparable Issues; (iii) the interest rate of the Convertible Bonds is below the six-month HIBOR of 4.81%; and

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(iv) the issue of the Convertible Bonds allows the Group to save or delay the cash payment of the Consideration and maintain a higher level of working capital for other future investment or expansion of land bank should any kinds of such opportunities arise, we are of the view that the issue of the Convertible Bonds is in the interest of the Company and the Independent Shareholders as a whole.

4 Financial impacts of the Acquisition

4.1 Net assets value and earnings

Upon completion of the Acquisition, HK Sunshine and Wuxi Sunshine will become wholly owned subsidiaries of the Company. As such the financial performance of HK Sunshine and Wuxi Sunshine will be accounted for using the consolidation method under which the assets and liabilities, income and expenses and cash flows of HK Sunshine and Wuxi Sunshine will be consolidated on a 100% basis and be included in the relevant components of the consolidated accounts of the Group.

As at the Latest Practicable Date, the valuation of the Land Use Rights was not reflected in the consolidated balance sheet of HK Sunshine because the Balance Purchase Price has not been paid by Wuxi Sunshine to the Land Resources Bureau in accordance with the Land Transfer Agreement. Upon the payment of the Balance Purchase Price and the grant of the relevant land use right documents including the state-owned land use rights certificates, HK Sunshine can recognise the valuation of the Land Use Rights in its consolidated balance sheet.

Given that the Consideration was determined with reference to the valuation of the Land Use Rights, which was assessed by DTZ, with deduction of the Balance Purchase Price, we consider that there will not be any material adverse impact arising from the Acquisition on the net assets value of the Group.

According to the management account of HK Sunshine, we note that HK Sunshine has not generated any profit since its incorporation on 6th December, 2006. Based on our discussions with the Management, we understood that, the construction work of the development project will commence in the fourth quarter of 2007. Therefore, there is no significant immediate effect to the earnings of the Group as a result of the Acquisition.

However, Shareholders should note that part of the Consideration will be satisfied by the issue of Convertible Bonds. Assuming the Vendors fully exercise the conversion rights attached to the Convertible Bonds, the basic earnings per share of the Company will drop slightly from HK19.91 cents per Share to HK18.55 cents per Share immediately after the completion of the Acquisition, based on the profit for the year ended 31st December, 2006. However, upon the full conversion of the Convertible Bonds into the Conversion Shares, the consolidated net assets of the Group will be increased by the aggregate principal amount the Convertible Bonds of HK\$31.86 million.

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4.2 *Working Capital and gearing*

According to the Acquisition Agreement, HK\$22.1 million will be payable by the Company to the Vendors in cash as part of the Consideration. Accordingly, the cash position of the Group will be reduced by approximately HK\$22.1 million immediately upon the completion of the Acquisition.

In addition, the Company has undertaken to procure HK Sunshine to repay the Remaining Shareholders' Loan and Further Shareholders' Loan to the Vendors. As advised by the Management, they intend to finance (i) the cash portion of the Consideration; and (ii) the repayment of Remaining Shareholders' Loan and Further Shareholders' Loan, if any, by internal resources and bank loans. As advised by the Management, they expect not more than HK\$10 million new bank loans will be used to finance the Acquisition and the above repayment obligations.

According to the 2006 Annual Report, the Group had cash and cash equivalents of approximately HK\$476,142,000 as at 31st December, 2006. Taking into account of the cash position of the Group as at 31st December, 2006, we consider that the Acquisition should not have any material adverse impact to the liquidity and cash flow position of the Group.

According to the 2006 Annual Report, the Group had aggregate interest-bearing borrowings of approximately HK\$147,438,000, representing a gearing ratio (which is calculated as the total of the interest-bearing borrowings divided by the net assets value of the Group) of approximately 8.69%. Taking into account of the possible new bank loan and the principle amount of the Convertible Bonds arising from the Acquisition, we consider that the Acquisition and the repayment of Remaining Shareholders' Loan and Further Shareholders' Loan, if any, would not have significant impact to the gearing level of the Group.

5 Dilution effect to the public Shareholders

Upon full conversion of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$1.32 per conversion share, a total of 24,136,363 Conversion Shares will be issued, representing approximately 1.93% of the existing issued share capital of the Company or approximately 1.89% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

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As stated in the Letter from the Board, the Company has granted share options to subscribe for an aggregate of 84,562,000 shares of the Company to the following entities and which are outstanding (the “**Outstanding Options**”):-

<i>Option holders</i>	<i>Number of Shares entitled to Subscribe for</i>
<i>Executive Directors</i>	
Mr. Lao Yuan Yi	11,944,000
Mr. Xin Shulin, Steve	19,842,000
Mr. Yeung Wai Kin	26,822,000
<i>Non-executive Director</i>	
Mr. Kwok Lam Kwong, Larry, J.P.	1,000,000
<i>Independent Non-executive Directors</i>	
Prof. Woo Chia Wei	1,000,000
Mr. Yu Qi Hao	1,000,000
Mr. Liu Ji	500,000
Ms. Lao	5,000,000
Other employees	<u>17,454,000</u>
	<u><u>84,562,000</u></u>

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The table below sets out the shareholding structure of the Company at the Latest Practicable Date and immediately upon the completion of the Acquisition, the full exercise of the Outstanding Options and the full conversion of conversion rights attached to the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		Upon full exercise of the Convertible Bonds (Note 1)		Upon full exercise of the Convertible Bonds and the Outstanding Options	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Executive Directors</i>						
Mr. Lao Yuan Yi	163,168,000 (Note 2)	13.04	165,581,636	12.98	177,525,636	13.05
Mr. Xin Shulin, Steve	4,802,640	0.38	4,802,640	0.38	24,644,640	1.81
Mr. Yeung Wai Kin	2,002,304	0.16	2,002,304	0.16	28,824,304	2.12
<i>Non-executive Director</i>						
Mr. Kwok Lam Kwong, Larry, J.P.	-	-	-	-	1,000,000	0.07
<i>Independent Non-executive Directors</i>						
Prof. Woo Chia Wei	-	-	-	-	1,000,000	0.07
Mr. Yu Qi Hao	-	-	-	-	1,000,000	0.07
Mr. Liu Ji	-	-	-	-	500,000	0.04
China Assets	248,249,300	19.84	248,249,300	19.46	248,249,300	18.25
Ms. Lao	-	-	21,722,727	1.70	26,722,727	1.97
	418,222,244	33.42	442,358,607	34.68	509,466,607	37.45
Public shareholders (other than stated above)	833,210,405	66.58	833,210,405	65.32	850,664,405	62.55
Total	<u>1,251,432,649</u>	<u>100.00</u>	<u>1,275,569,012</u>	<u>100.00</u>	<u>1,360,131,012</u>	<u>100.00</u>

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Notes:

1. On the assumption that none of the Outstanding Options is exercised up to the date on which the conversion rights under the Convertible Bonds are exercised in full.
2. 72,952,000 shares are held by Kinmoss Enterprises Limited, the issued share capital of which is wholly beneficially owned by Mr. Lao. The balance of 90,216,000 shares are directly beneficially owned by him.

As shown in the table above, the shareholding of public Shareholders will be diluted slightly from approximately 66.58% to approximately 65.32% immediately upon completion of the Acquisition and full conversion of conversion rights attached to the Convertible Bonds.

For illustration purpose, the shareholding of public Shareholders will be further diluted to approximately 62.55% immediately upon completion of the Acquisition, full exercise of the Outstanding Option and full conversion of conversion rights attached to the Convertible Bonds.

Taking into account of (i) the Acquisition provides the Group with an opportunity to capture the growth potential of the developing property market in Wuxi city on a long term basis; and (ii) the Acquisition is consistent with the overall corporate strategy of the Group, we consider that such immaterial dilution effect to public Shareholders, which arising from the full conversion of conversion rights attached to the Convertible Bonds, is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that Acquisition is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole and the terms of the Acquisition Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Acquisition and special mandate for the issue of the Convertible Bonds pursuant to the Acquisition Agreement, as detailed in the notice of EGM as set out at the end of the circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

Interest

The Convertible Bonds will bear interest from the date of issue at the rate of 1% per annum, which will be payable yearly in arrears each year. The yield to maturity of the Convertible Bond is 1% per annum.

Repayment

The Company shall repay such principal and interests accrued up to and including the date of repayment under the Convertible Bonds on the second anniversary of the date of issue of the Convertible Bonds (the “Maturity Date”).

Conversion right

The holder of the Convertible Bonds shall have the right at any time from the date of issue of the Convertible Bonds until the Maturity Date to convert all or part of the Convertible Bonds up to the principal amount of the Convertible Bonds, outstanding at any time into Shares at the Conversion Price (subject to adjustment) provided that a minimum amount of HK\$1,000,000 of the Convertible Bonds can be exercised at any one time at the option of the holder of the Convertible Bonds. Shares issued on conversion will rank *pari passu* in all respects with the existing Shares outstanding at the date on which the conversion notice is served on the Company.

Adjustment of conversion price

The Convertible Bonds will contain detailed provisions relating to adjustment of the Conversion Price. The following is a summary of the adjustment provisions contained in the Convertible Bonds:

- (a) The Conversion Price shall be subject to adjustment in the following circumstances:
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution (as defined in the certificate of the Convertible Bonds) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares in their capacity as such;
 - (iv) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 90% of the market price (calculated as provided in the certificate of the Convertible Bonds);

- (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the certificate of the Convertible Bonds) per Share is less than 90% of the market price (calculated as provided in the certificate of the Convertible Bonds), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of the market price;
 - (vi) an issue being made wholly for cash of Shares (other than pursuant to an executive share scheme as defined in the certificate of the Convertible Bonds) at a price less than 90% of the market price (calculated as provided in the certificate of the Convertible Bonds); and
 - (vii) an issue being made for the acquisition of asset at a total Effective Consideration per Share (as defined in the certificate of the Convertible Bonds) which is less than 90% of the market price (calculated as provided in the certificate of the Convertible Bonds).
- (b) no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bonds) to acquire Shares;
 - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
 - (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or rights to acquire Shares; or
 - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash.

- (c) Any adjustment to the Conversion Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price.
- (d) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank to be in its opinion appropriate.
- (e) No adjustment shall be made to the Conversion Price such that the conversion Shares shall fall to be issued at a discount to their nominal value.

Other rights

If whilst any part of the Convertible Bonds remains outstanding, a general offer or proposal is made to shareholders of the Company to acquire or cancel the whole or any part of the issued share capital of the Company, the Company will forthwith give notice of such offer to the holder of the Convertible Bonds and use its best endeavours to procure that a similar offer or proposal is made to the holder of the Convertible Bonds on the basis that the Convertible Bonds had been converted in full on the day immediately preceding the date on which the offer or proposal was made.

Voting

The holder of the Convertible Bonds will not be entitled to attend or vote at general meetings of the Company.

Transferability

The holder of the Convertible Bonds shall not have right to or agree to sell, assign or transfer the Convertible Bonds to any party and the Convertible Bonds are not assignable or transferable to any third party except with the prior written consent of the board of directors of the Company.

Events of default

The principal amount of the Convertible Bonds outstanding together with all interest shall become immediately repayable by the Company if:

- (a) the Company fails to pay any interest accrued within seven days of the due date for payment thereof; or
- (b) the Company materially defaults in performance or observance or compliance with any of its other obligations set out in the Convertible Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Company by the holder of the Convertible Bonds; or
- (c) the Shares (as a class) are suspended from being or cease to be listed on the Stock Exchange or a recognised stock exchange for a continuous period of 14 days due to the default of the Company.

Governing law

The terms and conditions of the Convertible Bonds will be governed by and construed in accordance with laws of Hong Kong.

The following is the text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited and addressed to the Company in connection with its valuation as at 31st March, 2007 of the property for the purpose of inclusion in this circular.



10th Floor,
Jardine House,
1 Connaught Place,
Central,
Hong Kong

4th June, 2007

The Directors
First Shanghai Investments Limited
Room 1903
Wing On House
71 Des Voeux Road
Central
Hong Kong

Dear Sirs,

Re: Lot No. XDG (XQ) – 2006 – 34, South of Gaolang Road, West of Xishi Road, New District, Wuxi, Jiangsu Province, the PRC

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to value the interest in the captioned property which is situated in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing First Shanghai Investments Limited (referred to as the "Company") with our opinion of the market value of the property interest as at 31st March, 2007 (the "Date of Valuation").

Basis of Valuation

Our valuation of the property interest is our opinion of its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

We have relied on the information given by HK Sunshine Real Estate Limited and the opinion of the PRC legal adviser, Da Cheng Law Firm 大成律師事務所, of the Company, regarding the title of the property and the interest of Wuxi Sunshine Real Estate Limited in the property. The status of titles and grants of major approvals and licences, in accordance with the information provided by HK Sunshine Real Estate Limited and the PRC legal opinion are set out in the notes in the valuation certificate.

No allowance has been made in our valuation of the property interest for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the property interest we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

The property valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the HK Sunshine Real Estate Limited and the legal adviser on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, development schemes, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the HK Sunshine Real Estate Limited which is material to the valuation. We were also advised by the HK Sunshine Real Estate Limited that no material facts have been omitted from the information provided.

Title Investigation

In respect of the subject property interest, we have been provided with extracts of documents in relation to its title. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

Site Inspection

We have inspected the exterior and wherever possible, the interior, of the property. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificate are in Renminbi, the official currency of the PRC.

Our valuation certificate is attached.

Yours faithfully,

for and on behalf of

DTZ Debenham Tie Leung Limited

Philip C. Y. Tsang

Registered Professional Surveyor (GP)

China Real Estate Appraiser

Msc., M.H.K.I.S., M.R.I.C.S

Senior Associate Director

Note: Mr. Philip C. Y. Tsang is a Registered Professional Surveyor who has over 15 years' of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property interest held for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31st March, 2007
Lot No. XDG(XQ)-2006-34, South of Gaolang Road, West of Xishi Road, New District, Wuxi, Jiangsu Province, the PRC	<p>The property comprises a piece of site with a site area of 25,178.30 sq.m. (271,019 sq.ft.).</p> <p>The property is planned to be developed into a composite development including commercial, office, hotel-type apartment and hotel with a total gross floor area of approximately 75,534 sq.m. (813,048 sq.ft.).</p> <p>The land use rights of the property have been granted for a term 40 years for commercial use, 70 years for residential use and 50 years for other use from the date of handing-over the site to the grantee.</p>	The property is currently a vacant site.	No commercial value (Please see Note 1)

Notes:

- (1) The Certificate for the Use of State-owned Land has not been obtained, we have assigned no commercial value to the property. On the assumption that the Certificate for the Use of State-owned Land is obtained, the capital value in existing state as at 31st March, 2007 of the property was RMB86,860,000.

We had also issued to the Company a Property Valuation Certificate dated 2nd May, 2007 in respect of the valuation of the property as at 31st March, 2007 at the same value.

- (2) According to Grant Contract of State-owned Land Use Rights No. (2006) 98 entered into between Wuxi Municipal Land Resources Bureau ("the Grantor") and HK Sunshine Real Estate Limited 香山置業發展有限公司 (see Note 3 below) ("the Grantee") on 28th December 2006, the land use rights of the property, comprising a site area of approximately 25,178.30 sq.m., has been granted to the Grantee for a term of 40 years for commercial use, 70 years for residential use and 50 years for other use from the date of handing-over the site to the grantee. The details are shown below:-

- (i) Location : south side of Gaolang Road and west side of Xishi Road
- (ii) Plot ratio : Not exceeding 3.0

- (iii) Nature of building : commercial, office (5-star hotel), residential (hotel-type apartment)
- (iv) Land Grant Fee : RMB52,900,000
- (v) Payment Schedule : 20% (RMB10,580,000) as deposit
On or before 30th December, 2006 RMB9,420,000
On or before 31st May, 2007 RMB32,900,000
- (vi) Upon full payment of land grant fee, the grantee may process the land title registration and then obtain the Certificate for the Use of State-owned Land within 30 days.
- (vii) Building Covenant : The Grantee should commence the construction before 31st August, 2007 and complete construction works for not less than 25% of the total gross floor area of the development before 31st March, 2008 and complete all the construction works before 31st December, 2008.
- (3) According to Supplement to Grant Contract of State-owned Land Use Rights No. (2006) 98 entered into between Wuxi Municipal Land Resources Bureau, HK Sunshine Real Estate Limited and Wuxi Sunshine Real Estate Limited 無錫香山置業發展有限公司 on 28th March, 2007, it was agreed that Wuxi Sunshine Real Estate Limited shall replace HK Sunshine Real Estate Limited as the Grantee in Grant Contract of State-owned Land Use Rights No. (2006) 98.
- (4) According to Business Licence No. 008247 dated 15th February, 2007, Wuxi Sunshine Real Estate Limited was established on 15th February, 2007 with a registered capital of US\$13,000,000 with a valid operation period from 15th February, 2007 to 14th February, 2008. Its investor is HK Sunshine Real Estate Limited with 100% capital contribution.
- (5) The opinion of the Company's legal adviser on PRC law states, inter alia, that:
- (i) According to Contract for Grant of State-owned Land Use Rights No. (2006) 98 dated 28th December, 2006 and its Supplement dated 28th March, 2007, Wuxi Sunshine Real Estate Limited has been granted the land use rights of the property with details as follows:
- (a) Site area : 25,178.30 sq.m.
- (b) Lot No. : XDG (XQ) – 2006 – 34
- (c) Land use term : The land use rights of the property have been granted for a term 40 years for commercial use, 70 years for residential use and 50 years for other use from the date of handing-over the site to the grantee.
- (d) Plot Ratio : Not exceeding 3.0
- (e) Land grant fee : RMB52,900,000
- (f) Payment Schedule : 20% (RMB10,580,000) as deposit
On or before 30th December, 2006 RMB9,420,000
On or before 31st May, 2007 RMB32,900,000
- (g) Building Covenant : The Grantee should commence the construction before 31st August, 2007 and complete construction works for not less than 25% of the total gross floor area of the development before 31st March, 2008 and complete all the construction works before 31st December, 2008.

- (ii) The Contract for Grant of State-owned Land Use Rights No. (2006) 98 and its Supplement are legal, valid and are binding to the parties concerned.
- (iii) The deposit and first payment of land grant fee have been paid according to the payment schedule. The remaining balance of RMB32,900,000 is payable on or before 31st May, 2007.
- (iv) Upon full payment of land grant fee in accordance with the Grant Contract of State-owned Land Use Rights No. (2006) 98 and its Supplement, and proceeding with the land title registration and obtaining the Certificate for the Use of State-owned Land, Wuxi Sunshine Real Estate Limited shall be entitled to the land use rights over the property.
- (v) After Wuxi Sunshine Real Estate Limited has obtained the Certificate for the Use of State-owned Land, Wuxi Sunshine Real Estate Limited has the rights to transfer (including sale and exchange), lease and mortgage the property, subject to the covenant to invest 25% or above of the total investment amount in the development.
- (vi) Wuxi Sunshine Real Estate Limited is legally established according to the PRC laws. HK Sunshine Real Estate Limited wholly owns Wuxi Sunshine Real Estate Limited.
- (6) The status of the title and grant of major approvals and licences in accordance with the PRC legal opinion and the information provided to us is as follows:—

Certificate for the Use of State-owned Land	No
Grant Contract of State-owned Land Use Rights & its Supplement	Yes
Red-line Drawing	No
Business Licence	Yes

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) *Shares (excluding options mentioned in (b) below and the Convertible Bonds)*

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr Lao Yuan Yi	163,168,000	Note	13.04
Mr Xin Shulin, Steve	4,802,640	Personal	0.38
Mr Yeung Wai Kin	2,002,304	Personal	0.16

Note: 72,952,000 Shares were held by Kinmoss Enterprises Limited, which issued share capital is beneficially wholly owned by Mr Lao, who is also its sole director. The balance of 90,216,000 Shares were personally owned by him.

(b) Options to subscribe for Shares

Name	Number of Shares entitled to subscribe for	Exercise price per Share (HK\$)	Date of grant	Exercise period
Mr Lao Yuan Yi	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017
Mr Xin Shulin, Steve	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015
	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017
Mr Yeung Wai Kin	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015
	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017
Mr Kwok Lam Kwong, Larry, J.P.	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Prof. Woo Chia Wei	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Mr Yu Qi Hao	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Mr Liu Ji	500,000	1.950	23/05/2007	23/11/2007-22/05/2017

(c) Convertible Bonds

Convertible Bonds in the principal amount of HK\$3,186,000 will be issued to Mr Lao pursuant to the Agreement.

(d) Shares of US\$0.10 each of China Assets, an associated corporation of the Company

Name	Number of Shares of China Assets	Nature of interest	Percentage of shareholding
Mr Yeung Wai Kin	200,000	Personal	0.26

(e) *Options to subscribe for shares of US\$0.10 each of China Assets (“CA Shares”)*

Name	Number of CA Shares entitled to subscribe for	Exercise price per CA Share (HK\$)	Date of grant	Exercise period
Mr Lao Yuan Yi	725,000	2.65	21/05/2004	25/05/2004-23/05/2014
	750,000	5.74	25/04/2007	25/04/2007-24/04/2017
Mr Yeung Wai Kin	700,000	2.65	21/05/2004	25/05/2004-23/05/2014
	750,000	5.74	25/04/2007	25/04/2007-24/04/2017

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest 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	Number of Shares	Nature of interest	Percentage of shareholding
China Assets	248,249,300	Beneficial owner	19.84

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or 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.

Mr Lao is the Chairman and an executive director of China Assets. Mr Yeung Wai Kin, an executive Director, is a non-executive director of China Assets.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

- (a) Mr Shi Lei had 20% interest in the issued share capital of First Shanghai Investments Holding Group Limited;
- (b) 長春一汽四環集團有限公司 (Changchun FAW Sihuan Group Company Limited) had 45% interest in the issued share capital of Changchun FAW Sihuan Betung Instrument Company Limited;
- (c) Tycross International Limited had 49% interest in the issued share capital of Crimson Pharmaceutical (Hong Kong) Limited;
- (d) Momentus Management Limited had 20% interest in the issued share capital of Fresh Start Investments Limited;
- (e) Each of CVIC International Holdings Limited and Uni-mark Industries Limited had 10% interest in the issued share capital Future Match Limited;
- (f) 勞渝聲先生 (Mr Lao Yu Sheng) and 鮑榮清先生 (Mr Bao Rong Qing) had 15% and 10% interest respectively in the registered capital of Shanghai Huan Ya Insurance Agency Company Limited;
- (g) 上海亞東國際貨運有限公司 (Shanghai Yadong International Logistics Company Limited) had 15% interest in the registered capital of Shanghai Yi Hang Logistic Network Management Limited;
- (h) 上海滬北物流發展有限公司 (Shanghai Hubei Logistics Development Company Limited) and 中國汽車運輸國際貨運代理公司 (China Motor Transportation International Logistics Agency Limited.) had 16.72% and 13% interest respectively in the registered capital of Shanghai Zhong Chuang International Container Storage & Transportation Company Limited;
- (i) 湖南長豐汽車零部件控股有限責任公司 (Hunan Changfeng Motor Parts Holdings Company Limited) had 49% interest in the registered capital of Yongzhou Chang Yi Car Electronics Limited Company;
- (j) 上海八六三信息安全產業基地有限公司 (Shanghai 863 Information Security Properties Base Company Limited) had 45% interest in the registered capital of Shanghai Fu Heng Properties Management Limited; and

- (k) 深圳市海潤達電子技術有限公司 (Shenzhen Hai Rung Da Electronic Technical Company Limited) had 30% interest in the registered capital of First Shanghai Properties (Kunshan) Company Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any subsidiary of the Company or any options in respect of such capital.

Interests of experts in the Group

None of the experts named in the paragraph headed “Consents” in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

Competing business

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group’s business.

Interests in assets

Since 31st December, 2006, the date of the latest published audited financial statements of the Group, none of the Directors or the experts named in the paragraph headed “Consents” in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group except pursuant to the Agreement.

None of the Directors or the experts named in the paragraph headed “Consents” in this appendix is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2006, being the date to which its latest published audited financial statements were made up.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
China Everbright	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
the Valuer	qualified valuer

CONSENTS

China Everbright and the Valuer have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

GENERAL

- (a) The company secretary and the qualified accountant of the Company is Mr Yeung Wai Kin. Mr Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.
- (b) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, which is situated at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong during normal business hours up to and including 18th June, 2007:

- (a) the Agreement; and
- (b) the written consents referred to in the paragraph headed "Consents" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the abovementioned company (the “Company”) will be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on 22nd June, 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the agreement dated 11th May, 2007 between Lao Yuan Yi alias Lo Yuen Yat and Lao Yuan, Vivian alias Lao Yuan Yuan (the “Vendors”) and the Company whereby the Company agrees to acquire from the Vendors the entire issued share capital of, and the benefit of loans of HK\$20,627,610 advanced to, HK Sunshine Real Estate Limited (“HK Sunshine”) for an aggregate consideration of HK\$53.96 million, HK\$22.10 million of which is to be paid in cash and the balance of HK\$31.86 million to be satisfied by the issue of convertible bonds of the Company (the “Convertible Bonds”) to the Vendors or their nominees (the “Agreement”) (a copy of which is tabled at the meeting and signed by the Chairman for the purpose of identification) be and is hereby approved and that the directors of the Company be and are hereby authorised to implement the transactions contemplated by the Agreement, including making loans to HK Sunshine or its subsidiary for repayment of the balance of existing loans of HK\$21,372,000 due to the Vendors and further loans of not more than RMB35,016,000 which may be advanced by the Vendors to HK Sunshine and its subsidiary (with any amendments to the terms of the Agreement as may be approved by the directors of the Company), the issue of the Convertible Bonds pursuant to the Agreement and the issue of shares of the Company on the exercise of any conversion rights attached to the Convertible Bonds.”

By order of the Board

Yeung Wai Kin

Secretary

Dated 4th June, 2007

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 more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a 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 attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.