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## **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:*

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

\* *Non-executive director*

\*\* *Independent non-executive directors*

30th April 2007

*To the shareholders*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
AND RENEWAL OF THE GENERAL MANDATE LIMIT OF  
SHARE OPTION SCHEME  
NOTICE OF ANNUAL GENERAL MEETING AND RE-ELECTION OF DIRECTORS**

### **INTRODUCTION**

At the annual general meeting of First Shanghai Investments Limited (the “Company”) for the year ended 31st December 2006, resolutions will be proposed to grant to the directors of the Company general mandates to issue and repurchase shares of the Company and to renew the general mandate limit of its share option scheme adopted on 24th May 2002 (the “2002 Scheme”).

The purpose of this circular is to give you further details of the abovementioned proposals and notice of the annual general meeting for the purpose of considering and, if thought fit, passing the resolutions required for implementation of the proposals. This circular also contains the explanatory statement in compliance with the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and gives all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the purchase by the Company of its own shares.

## **GENERAL MANDATE TO ISSUE SHARES**

At the annual general meeting of the Company to be held on 25th May 2007 (“AGM”) an ordinary resolution will be proposed to grant a general mandate to the directors of the Company to allot, issue and dispose of shares of the Company not exceeding 20 per cent. of the issued share capital of the Company to provide flexibility to the Company to raise fund by issue of shares efficiently. On 26th April 2007 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 1,195,166,649 shares of HK\$0.20 each of the Company (“Shares”). Exercise in full of the mandate, on the assumption that no further Shares are issued or repurchased prior to the date of the AGM, could accordingly result in up to 239,033,329 Shares being issued by the Company.

## **GENERAL MANDATE TO REPURCHASE SHARES**

At the AGM, an ordinary resolution will also be proposed that the directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10 per cent. of the share capital of the Company in issue on the date of the resolution. Based on 1,195,166,649 Shares in issue on the Latest Practicable Date and on the assumption that no further Shares are issued or repurchased prior to the date of the AGM, exercise in full of the mandate could accordingly result in up to 119,516,664 Shares being repurchased by the Company.

The Company’s authority is restricted to purchases made on the Stock Exchange in accordance with the Listing Rules of the Stock Exchange. The mandate allows the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

The directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 31st December 2006 (being the date of its latest audited accounts), the directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its Memorandum and Articles of Association to purchase its Shares. Hong Kong law provides that payment in connection with a share repurchase may only be paid out of distributable profits or the proceeds of a fresh issue of shares. Under Hong Kong law, the shares so repurchased will be treated as cancelled.

The directors intend to apply the profit that would otherwise be available for distribution by way of dividend for any purchase of its Shares.

### **Directors, their associates and connected persons**

None of the directors nor, to the best of the knowledge and belief of the directors having made all reasonable enquiries, any of the associates of any of the directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules of the Stock Exchange) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

### **Undertaking of the directors**

The directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules of the Stock Exchange and all applicable laws of Hong Kong, and in accordance with the regulations set out in the Memorandum and Articles of Association of the Company.

### **Effect of Takeovers Code**

A repurchase of Shares by the Company may result in an increase in the proportionate interest of a substantial shareholder of the Company in the voting rights of the Company, which may give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, China Assets (Holdings) Limited (“China Assets”) and Mr Lao Yuan Yi (the chairman and an executive director of China Assets), who held approximately 20.77 per cent. and 10.90 per cent. of the issued share capital of the Company respectively, were the only substantial shareholders holding more than 10 per cent. of the issued share capital of the Company. In the event that the directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholdings of China Assets and Mr Lao Yuan Yi in the Company would be increased to approximately 23.08 per cent. and 12.11 per cent. of the issued share capital of the Company respectively and such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Code, if the Securities and Futures Commission rules that China Assets and Mr. Lao Yuan Yi are parties acting in concert under the Code.

## Stock Exchange Rules for repurchases of shares

The Listing Rules of the Stock Exchange permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

The Listing Rules provide that all shares repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose.

## General

During each of the six months preceding the date of this circular, no Shares have been repurchased by the Company.

During each of the previous 12 months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest HK\$	Lowest HK\$
2006		
April	0.87	0.65
May	0.92	0.67
June	0.74	0.63
July	0.74	0.67
August	0.71	0.66
September	0.76	0.66
October	0.75	0.66
November	0.84	0.69
December	0.84	0.75
2007		
January	1.08	0.79
February	1.11	0.84
March	0.95	0.78

## RENEWAL OF THE GENERAL MANDATE LIMIT OF THE 2002 SCHEME

Under the 2002 Scheme, the Company may grant options to subscribe for up to 113,132,370 Shares, being 10 per cent. of issued share capital of the Company on the date of its adoption. As at the Latest Practicable Date, the Company granted options under the 2002 Scheme to subscribe for a total of 76,122,000 Shares, representing approximately 67.29 per cent. of the existing general mandate limit of such scheme. The status of these options as at the Latest Practicable Date were as follows:

<b>Options</b>	<b>Number of underlying Shares</b>
Outstanding	74,622,000
Exercised	–
Cancelled	–
Lapsed	1,500,000

The Company had also granted options under a share option scheme adopted in 1994 (the “1994 Scheme”). As at the Latest Practicable Date, there were outstanding options to subscribe for a total of 29,398,000 Shares under the 1994 Scheme. The outstanding options under the 1994 Scheme and the 2002 Scheme as at the Latest Practicable Date entitle their holders to subscribe for a total of 104,020,000 Shares, representing about 8.70 per cent. of the issued share capital of the Company.

To enable the Company to grant further options to eligible persons under the 2002 Scheme, it is proposed to renew the general mandate limit of the 2002 Scheme to 10 per cent. of the issued share capital of the Company as at the date of the resolution to approve the renewal. Based on 1,195,166,649 Shares in issue as at the Latest Practicable Date and on the assumption that no further Shares will be issued or repurchased prior to the date of the AGM, the renewal of the general mandate limit will allow the Company to grant further options to subscribe up to 119,516,664 Shares under the 2002 Scheme.

Application has been made to the Listing Committee of the Stock Exchange for granting of listing of and permission to deal in the new shares of the Company which may be issued and allotted upon exercise of the options granted pursuant to the renewal of the general mandate limit of the 2002 Scheme.

## ANNUAL GENERAL MEETING

You will find on pages 9 to 12 of this circular a notice of the AGM to be held at 3:00 p.m. on 25th May 2007 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

Resolution no. 5A will be proposed as an ordinary resolution to give a general mandate to the directors to allot, issue and deal with shares of the Company with an aggregate nominal value not exceeding 20 per cent. of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5B will be proposed as an ordinary resolution to give a general mandate to the directors to make on-market purchases of shares of the Company of up to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5C will be proposed as an ordinary resolution to extend resolution no. 5A to include the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors pursuant to resolution no. 5B.

Resolution no. 5D will be proposed as an ordinary resolution to approve the proposed renewal of the general mandate limit under the 2002 Scheme.

There is enclosed a form of proxy for use at the AGM. 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.

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 AGM, a poll may be demanded by:

- (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.

## **RE-ELECTION OF DIRECTORS**

Resolutions will be proposed at the AGM for re-election of Messrs. Lao Yuan Yi and Xin Shulin, Steve as executive directors according to the Company's Articles of Association. Their particulars are as follows:

**(i) Lao Yuan Yi ("Mr. Lao")**

Mr. Lao, Chairman and Managing Director of the Company, aged 61, was appointed as director of the Company in 1993. Currently he is also the Chairman of China Assets, the Company's associated company which is listed on the Stock Exchange. Previously he was a senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the PRC State Science & Technology Commission, Ministry of Communications of The Peoples Republic of China and the PRC Railway Ministry. Mr Lao graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

As at the Latest Practicable Date, Mr. Lao is a substantial shareholder of the Company interested in 163,326,000 underlying Shares (130,326,000 Shares and 32,842,000 share options) within the meaning of Part XV of the Securities and Futures Ordinance. Save that Mr. Lao is the Chairman and an executive director of China Assets, the Company's substantial shareholder holding approximately 20.77 per cent of the issued share capital of the Company at the Latest Practicable Date, he does not have any relationship

with any other directors, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Lao has a service contract with the Company which does not have any specific length of service in respect of his appointment. He is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. Mr. Lao is entitled to a fixed monthly salary of HK\$185,600 which was determined with reference to his professional qualification, experience and responsibilities and a discretionary bonus to be decided by the board of directors with reference to the operating results of the Group and the performance of Mr. Lao in the relevant financial year.

Save as mentioned above, Mr Lao does not have any other matters that need to be brought to the attention of the shareholders of the Company or any other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

**(ii) Xin Shulin, Steve (“Mr. Xin”)**

Mr. Xin, aged 53, was appointed as an executive director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. Xin does not have any relationship with any other directors, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Xin has a service contract with the Company which does not have any specific length of service in respect of his appointment. He is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. Mr. Xin is entitled to a fixed monthly salary of HK\$151,410 which was determined with reference to his professional qualification, experience and responsibilities and a discretionary bonus to be decided by the Board with reference to the operating results of the Group and the performance of Mr. Xin in the relevant financial year. As at the Latest Practicable Date, Mr. Xin is interested in 19,612,640 underlying Shares (838,640 Shares and 18,774,000 share options) within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Xin was an alternate director of China Asset and a non-executive director of RBI Holdings Limited (a company listed on the Stock Exchange) up to 21st June 2004 and 1st October 2005 respectively.

Save as mentioned above, Mr Xin does not have any other matters that need to be brought to the attention of the shareholders of the Company or any other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

## **RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company 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 therein misleading.

## **RECOMMENDATION**

The directors consider that the above proposals are in the interest of the Company and so recommend you to vote in favour of all resolutions at the AGM. The directors will vote all their shareholdings in favour of the resolutions.

Yours faithfully,  
By order of the Board  
**Lao Yuan Yi**  
*Chairman*





**FIRST SHANGHAI INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 227)

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the abovenamed company (the “Company”) will be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on Friday, 25th May 2007 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December 2006.
2. To declare a final dividend of 0.50 Hong Kong cents per share for the year ended 31st December 2006.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

**ORDINARY RESOLUTIONS**

A. **“THAT:**

- (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar

## NOTICE OF ANNUAL GENERAL MEETING

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arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

**B. “THAT:**

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) for the purposes of this resolution:
- “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
  - (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- C. **“THAT** conditional upon resolution no. 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5A above.”
- D. **“THAT** the directors of the Company be and are hereby authorised to grant further options under the share option scheme of the Company adopted on 24th May 2002 (the “Scheme”) provided the aggregate nominal amount of shares which may be issued pursuant to the exercise of options to be granted under the Scheme and other share option scheme(s) of the Company on or after the date of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of this resolution.”

By Order of the Board  
**Yeung Wai Kin**  
*Company Secretary*

Hong Kong, 30th April 2007

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

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from Monday, 21st May 2007 to Friday, 25th May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 18th May 2007.