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



第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 227)

**ACQUISITION OF ASSETS
DISCLOSEABLE TRANSACTION**

LETTER FROM THE BOARD



第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 227)

Directors:

Lao Yuan Yi (*Chairman*)

Xin Shulin

Yeung Wai Kin

Hu Yi Ming

Kwok Lam Kwong *

Woo Chia Wei **

Liu Ji **

Yu Qi Hao **

Registered office and

principal place of business:

1903, Wing On House

71 Des Voeux Road Central

Hong Kong

* *Non-executive director*

** *Independent non-executive directors*

26th June, 2006

To the shareholders

Dear Sir or Madam,

ACQUISITION OF ASSETS DISCLOSEABLE TRANSACTION

INTRODUCTION

It was announced on 2nd June, 2006 that First Shanghai Investments Holding Group Limited, a 80% owned subsidiary of First Shanghai Investments Limited (the “Company”), entered into an agreement on 1st June, 2006 for the acquisition of properties located at Zhong Shan, Guangdong, The People’s Republic of China (“PRC”) for cash consideration of RMB85 million (about HK\$82,364,341) (the “Agreement”).

For the Company, the Agreement is a discloseable transaction under the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The purpose of this circular is to give you further details of the Agreement in accordance with the requirements of the Listing Rules of the Stock Exchange (the “Listing Rules”).

LETTER FROM THE BOARD

AGREEMENT DATED 1ST JUNE, 2006

Parties:

Vendor: 中山市財聯置業有限公司 (Zhong Shan Shi Cai Lian Zhi Ye Company Limited) (the “Vendor”)

Purchaser: First Shanghai Investments Holding Group Limited (the “Purchaser”), a 80% owned subsidiary of the Company

Assets acquired:

Assets acquired are the land use rights of a site of about 104,948.3 square meters and the buildings under construction thereon known as 聖賢莊 (Sheng Xian Garden) in 中山市長江水庫旅遊風景區 (Zhong Shan Shi Chang Jiang Shui Ku Scenery Area) (“Property 1”), together with a site for related roads of about 8,027.3 square meters (“Property 2”, and together with Property 1, the “Properties”).

The construction works of the Properties have stopped for some time. Under the Agreement, the Vendor shall provide all the information and documents relating to the construction works to the Purchaser within 7 days after receipt of the First Instalment (as defined below). Within 4 months after payment of the Second Instalment (as defined below), the Vendor shall transfer the Land Use Right Certificate relating to Property 1 to the Purchaser or its nominee, and to apply on behalf of the Purchaser the Land Use Right Certificate in respect of Property 2. The Vendor will deliver possession of the Properties and transfer the project management and construction works to the Purchaser within 7 days after payment of the First Instalment.

The Purchaser shall commence construction works within 8 months from the date of the Agreement, and to complete the project within 3 years from the date of the Agreement.

The book value of the Properties as at 30th May, 2006 in the Vendor’s financial statements amounts to about RMB130 million (about HK\$125,968,992).

Consideration and payment terms:

RMB85 million (about HK\$82,364,341) in cash to be paid in the following instalments:

1. RMB25.5 million (about HK\$24,709,302) (the “First Instalment”) within 7 days of the date of the Agreement;
2. RMB8.5 million (about HK\$8,236,434) (the “Second Instalment”) within 4 months of the date of the Agreement; and

LETTER FROM THE BOARD

3. RMB51 million (about HK\$49,418,605) within 8 months of the date of the Agreement.

The consideration was arrived at after arm's length negotiations based on the directors' experience and knowledge in the PRC property market.

The directors of the Company (the "Directors") consider that the terms of the acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Funding:

The purchase price will be funded from internal resources and available banking facilities.

Completion date:

The Agreement will be completed upon the Purchaser making full payment of the purchase price to the Vendor and the Vendor delivering all relevant documents to the Purchaser in accordance with the Agreement.

REASONS FOR THE TRANSACTION

The Company considers this acquisition will allow it to expand its property portfolio in the PRC. The Purchaser will continue the construction of the Properties for commercial and residential use. Upon completion, the Group's fixed assets will increase while current assets will decrease in proportion to the amount of the aggregate consideration funded from internal resources and liabilities will increase in the proportion to the amount of the aggregate consideration funded from bank financing.

CONNECTION BETWEEN THE PARTIES

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are independent third parties not connected with the Company, any directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in investment holding, securities dealing, logistics, property investment and management.

The Vendor is principally engaged in investment holding.

LETTER FROM THE BOARD

GENERAL

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

Yours faithfully,

Lao Yuan Yi

Chairman

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 21st June, 2006 (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 Securities and Futures Ordinance (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:

(i) Interests in shares of HK\$0.20 each in the Company (“Shares”)

Name of Directors	Number of Shares			Total	Approximately percentage of the Company’s issued share capital
	Directly beneficially owned	Through controlled corporation	Family interest		
Lao Yuan Yi	51,870,100	72,952,000	—	124,822,100	10.54% (Note)
Xin Shulin	838,640	—	—	838,640	0.07%
Woo Chia Wei	—	—	72,000	72,000	0.006%

Note: 72,952,000 Shares are held by Kinmoss Enterprises Limited, the issued share capital of which is wholly beneficially owned by Mr. Lao Yuan Yi.

(ii) Interests in options to subscribe for Shares

Name of Directors	Number of Shares entitled to subscribe for	Exercise price per Share (HK\$)	Date of grant	Exercise period
Lao Yuan Yi	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	22,842,000	0.564	30/11/2005	30/05/2006-11/12/2015
Xin Shulin	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	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
Yeung Wai Kin	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	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
Hu Yi Ming	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
	82,204,204			

(iii) Interests in options to subscribe for shares of US\$0.10 each of China Assets (Holdings) Limited ("CA Shares"), an associated corporation of the Company

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

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	Approximate percentage of the Company's issued share capital
Lao Yuan Yi	124,822,100 (<i>Note</i>)	10.54%
China Assets (Holdings) Limited	248,249,300	20.97%

Note: The interests of Mr. Lao include the 72,952,000 Shares held by Kinmoss Enterprises Limited (“Kinmoss”), and 51,870,100 Shares personally held. Mr. Lao is the sole director of Kinmoss.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who, had an 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.

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 Amplegrow Investments 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) Great Earnest International Limited and Harcourt China Inc. had 11.29% and 10.50% interest respectively in First Information Technology Limited.
- (e) Momentum Management Limited had 20% interest in the issued share capital of Fresh Start Investments Limited.
- (f) Each of CVIC International Holdings Limited and Uni-mark Industries Limited had 10% interest in Future Match Limited.
- (g) Sino Dragon Asset Limited had 28% interest in the issued share capital of Kunshan Traders Park Hotel Company Limited.
- (h) 上海亞東國際貨運有限公司 (Shanghai Yadong International Logistics Company Limited) had 25% interest in the issued share capital of Shanghai Huan Ya Insurance Agency Company Limited.
- (i) 上海亞東國際貨運有限公司 (Shanghai Yadong International Logistics Company Limited) had 15% interest in the issued share capital of Shanghai Yi Hang Logistic Network Management Limited.
- (j) 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有限公司 (China Motor Transportation International Logistics Agency Company Ltd.) had 16.72% and 13% interest respectively in Shanghai Zhong Chuang International Container Storage & Transportation Company Limited.
- (k) 永州長豐經濟技術開發有限公司 (Yongzhou Changfeng Economic Technology Development Company Limited) had 49% interest in the issued share capital of Yongzhou Chang Yi Car Electronics Company Limited.
- (l) Shenzhen Surge Information Technology Limited had 45% interest in the issued share capital of 深圳巨獵信息技術有限公司 (Shenzhen Julie Information Technology 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.

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 other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company or the Group.

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.

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.
- (c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.