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

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

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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY**

4th April, 2006

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DEFINITIONS

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

“%”	per cent.;
“Associates”	the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day”	any weekday from Monday to Friday on which licensed banks in Hong Kong and Peoples’ Republic of China are open for business;
“Company”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Connected Person(s)”	the meaning as defined in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Land”	the parcel of land of an area of 15,000 square meters known as Lot 106 situated at Bei Cai County of Pudong;
“Latest Practicable Date”	3rd April, 2006, being the latest practicable date prior to the printing of this circular to ascertain certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	1 July 2006 or such later date agreed in writing between the Vendor and Purchaser;
“Pre-Closing”	The date on which the parties will proceed to, among other things, handover of the Property;
“Property”	the Land and Buildings situated at Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Shanghai;
“Property Agreement”	the Main Agreement together with the Supplementary Agreement;

DEFINITIONS

“Registration Authority”	the Shanghai Housing and Land Resources Administration Bureau or its competent delegate;
“RMB”	the lawful currency of Peoples’ Republic of China (“PRC”);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	Transactions contemplated under the Property Agreement.



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

Executive Directors:

Lao Yuan Yi (*Chairman*)

Xin Shulin

Yeung Wai Kin

Hu Yi Ming

Mr. Kwok Lam Kwong (*non-executive director*)

Registered address:

1903, Wing On House

71 Des Voeux Road Central

Hong Kong

Independent non-executive Directors:

Woo Chia Wei

Liu Ji

Yu Qi Hao

Principal place of business:

1903, Wing On House

71 Des Voeux Road Central

Hong Kong

3rd April, 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY**

INTRODUCTION

The Directors announced on 14th March 2006 that Fuhai Digital Technology (Shanghai) Company Limited (“Fuhai” or “the Vendor”), a wholly owned subsidiary of the Company, had entered into a standard agreement (“the Main Agreement”) as supplemented by a supplemental agreement (“the Supplementary Agreement”) both dated 13th March 2006 (together as “Property Agreement”) with Superb Union Investments Limited as purchaser (“SUI” or “the Purchaser”) for the disposal of the Property at an aggregate consideration of RMB175,095,000 in cash.

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information relating to the Disposal and with other information as required under the Listing Rules.

LETTER FROM THE BOARD

(A) Property Agreement:

Parties:

Vendor: Fuhai Digital Technology (Shanghai) Company Limited, a wholly owned subsidiary of the Company;

Purchaser: Superb Union Investments Limited.

(B) Assets to be disposed of:

The Property is held by the Vendor and is situated at Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Shanghai. The construction of the Buildings is nearly finished and the rental income contributed from the Property is nil. The net book value of the Property which is now classified as work-in-progress in the accounts as at 31st December 2005 was approximately HK\$68.5 million representing about 3.6% of the Group's unaudited total asset value as at 31st December 2005.

(C) Consideration:

The aggregate value of consideration for the sale of the Property is RMB175,095,000 ("the Purchase Price").

The Purchase Price was determined and arrived at after arm's length negotiations between the Company and SUI and with reference to the recent market price of office buildings situated in Shanghai of PRC.

(D) Payment terms:

The Purchase Price shall be payable in cash as follows:-

- (a) 10% of the Purchase Price, RMB17,509,500 ("First Instalment") will be paid on Pre-closing;
- (b) 90% of the Purchase Price, RMB157,585,500 minus warranty and retention amounts of in aggregate not more than RMB3.85 million ("the Second Instalment") will be paid within 5 Business Days after closing of the Property Agreement subject to any adjustment and deduction.

LETTER FROM THE BOARD

(E) Termination of the Agreement:

The Purchaser has the right to terminate the Property Agreement, among other things:–

- (a) An application for the transfer of title to the Property from the Vendor to the Purchaser has not been filed by the Vendor with the Registration Authority prior to or on the Long Stop Date; or
- (b) If the information contained in the initial ownership certificate of the Property is inconsistent in any material aspect, except in cases where there is a discrepancy in the gross floor area of the Property that can be remedied; or
- (c) If the Purchaser has failed to enter into finance arrangement with a bank due to reasons attributable to the legal title of the Property; or
- (d) in the event of force majeure; or
- (e) if the Pre-Closing has not yet occurred by the Long Stop Date; or
- (f) the closing has not occurred within thirty (30) Business Days of the Pre-Closing.

(F) Closing date:

Closing is expected to take place within 30 Business Days of the Pre-closing which is on or before the Long Stop Date.

(G) Reasons for entering into and benefits of the Transaction:

The Directors of the Company consider that the disposal of the Property will provide a satisfactory return to the Company. Upon the completion of the Transaction, the Company is expected to record a gain on disposal of approximately HK\$71.5 million (after deducting the development cost, the business tax, the land appreciation tax and the selling expenses of approximately HK\$96.9 million for the Transaction) from the gross sale proceeds of approximately HK\$168.4 million (at the exchange rate of RMB1.04 = HK\$1.00).

The net proceeds of HK\$158 million will be used for general working capital of the Company. The directors of the Company consider that the terms of the Property Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

(H) General Information:

1. Background of the Vendor:–

As at the date hereof, Fuhai is a wholly-owned subsidiary of the Company. Fuhai is engaged in the business of property holding and investment.

2. The Company and its subsidiaries are principally engaged in investment holding, securities dealing, logistics and property holding and management.

3. Background of the Purchaser:–

SUI is wholly-owned by Globe Fortune Group Limited (a BVI Co.) which is wholly-owned by LaSalle Asia Opportunity II S.A.R.L. whose principal business is investment holding. The principal business of SUI is investment holding.

4. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SUI and its ultimate beneficial owners are third parties independent to the Company and the Connected Persons of the Company and are not Connected Persons of the Company.

5. The Directors of the Company (including the independent non-executive directors) consider that the terms of the Property Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(I) Implications under the Listing Rules:

The Transaction constitutes a discloseable transaction of the Company under the Listing Rules.

GENERAL

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

By order of the board
First Shanghai Investments Limited
Lao Yuan Yi
Chairman

1. 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 enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 9 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions to section 352 of the SFO; or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:–

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

Name of Directors	Number of Shares			Total	Approximate 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	10.56% (Note 1)
Woo Chai Wei	–	–	72,000	72,000	0.006%

Note 1: 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) Long position in the rights to acquire Shares

Name of Directors	Number of share options held	Exercise price per share option (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	838,640	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
	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
	<u>83,042,844</u>			

(iii) Long position in the rights to acquire Shares in an associated corporation, China Assets (Holdings) Limited

Name of Directors	Number of share options held	Exercise price per share option (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 chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows:–

Name of shareholders	Number of Shares held	Approximate percentage of the Company's issued share capital
Lao Yuan Yi	124,822,100 (<i>Note a</i>)	10.56%
China Assets (Holdings) Limited	248,249,300 (<i>Note b</i>)	21.00%

Notes:

- (a) The interests of Mr. Lao include the 72,952,000 Shares held by Kinmoss Enterprises Limited, and the personal and corporate interests of Mr. Lao as disclosed under the paragraph headed "Directors' Interests" above.
- (b) China Assets (Holdings) Limited is a Hong Kong listed company, which is also an associated company of the Group.

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, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

As at the Latest Practicable Date:—

- (i) none of the Directors had any direct or indirect interests in any assets which have since 31st December, 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group;
- (ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any members of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

7. GENERAL

- (i) 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.
- (ii) The registered office and head office and principal place of business of the Company is situated at 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (iii) 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.
- (iv) The English text of this circular shall prevail over the Chinese text in case of inconsistency.