
IMPORTANT

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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 Investments Limited you should at once hand this circular and 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)

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES AND RE-ELECTION OF DIRECTORS

A notice convening the annual general meeting of First Shanghai Investments Limited to be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on Monday, 30th May 2005 at 3:00 p.m. is set out in the annual report for the year ended 31 December 2004 to be despatched to shareholders together with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

28th April 2005

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held on 30th May 2005 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at 3:00 p.m., or any adjournment thereof
“Articles of Association”	the articles of association of the Company
“Code”	the Hong Kong Code on Takeovers and Mergers
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32)
“Company”	First Shanghai Investments Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	26th April 2005 being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Proposed Repurchase Mandate
“Share(s)”	share(s) of HK\$0.2 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

Executive Directors:

Mr. Lao Yuan Yi (*Chairman and Managing Director*)

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

Registered Office:

Room 1903

Wing On House

71 Des Voeux Road

Central

Hong Kong

Non-executive Director:

Mr. Kwok Lam Kwong, Larry, J.P.

Independent Non-executive Directors:

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qi Hao

28th April, 2005

To the shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES AND RE-ELECTION OF DIRECTORS

INTRODUCTION

The directors of First Shanghai Investments Limited (the “Company”) propose to grant to the directors of the Company general mandates to issue shares and to repurchase shares of the Company, and the proposed re-election of the Directors who are due to retire.

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting to be held on 30th May 2005. This circular also contains the explanatory statement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

It is 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 in issue on the date of the resolution to provide flexibility to the Company to raise fund by issue of shares efficiently. On 26th April, 2005 (the "Latest Practicable Date"), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 1,173,691,705 shares of HK\$0.20 each in the Company ("Shares"). Exercise in full of the mandate, on the basis that no further Shares are issued prior to the date of the AGM, could accordingly result in up to 234,738,341 Shares being issued by the Company.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will 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 in issue on the date of the resolution. The Company's authority is restricted to purchases made on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in accordance with the Listing Rules. On the Latest Practicable Date, there were in issue an aggregate of 1,173,691,705 shares of HK\$0.20 each in the Company ("Shares"). Exercise in full of the mandate, on the basis that no further Shares are issued prior to the date of the AGM, could accordingly result in up to 117,369,170 Shares being repurchased by the Company. 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 earning per Share. As compared with the financial position of the Company as at 31st December, 2004 (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 new issue of shares made for such purpose. Under Hong Kong law, the shares so repurchased will be treated as cancelled.

The directors intend to apply the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose for any purchase of its Shares.

LETTER FROM THE BOARD

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) has notified the Company that he has a present intention to sell Shares to the Company nor has he undertaken not to sell any of the Shares held by him 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 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 interests of a substantial shareholder of the Company in the voting rights of the Company, which could 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 (“Mr. Lao”), who held approximately 21.15 per cent. and 10 per cent. of the issued share capital of the Company respectively, were the only substantial shareholders holding 10 per cent. or more 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 in the Company would be increased to approximately 23.50 per cent. and 11.11 per cent. of the issued share capital of the Company respectively and each of such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Code.

LETTER FROM THE BOARD

Stock Exchange Rules for repurchases of shares

The Listing Rules 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 in accordance with the Company's memorandum and articles of association, Main Board Listing Rules and the applicable laws of Hong Kong. It is envisaged that any repurchase would be funded from the distributable profits of the Company.

GENERAL

During each of the six months preceding the date of this circular, no Shares had 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\$
2004		
April	0.830	0.600
May	0.640	0.475
June	0.680	0.550
July	0.660	0.560
August	0.600	0.540
September	0.660	0.580
October	0.700	0.590
November	0.830	0.670
December	0.750	0.660
2005		
January	0.750	0.660
February	0.760	0.670
March	0.740	0.630
April (up to Latest Practicable Date)	0.640	0.550

LETTER FROM THE BOARD

DETAILS OF DIRECTORS BEING PROPOSED FOR RE-ELECTION AT ANNUAL GENERAL MEETING

For your further information, we set out below the relevant details of the three Directors proposed to be re-elected at the Annual General Meeting

(i) Mr. Yeung Wai-Kin

Mr. Yeung, aged 43, was appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr. Yeung joined the Company in 1993 and has over 20 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited (“China Assets”) and RBI Holdings Limited, the Company’s associated companies which are listed in The Stock Exchange of Hong Kong Limited. China Assets is also a substantial shareholder of the Company. 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. He has a bachelor’s degree in law from Peking University.

Mr. Yeung does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company except that he is also a director of China Assets, a substantial shareholder of the Company. Mr. Yeung has a service contract with the Company which do 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. Yeung is entitled to a fixed monthly salary of HK\$140,000 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. Yeung in the relevant financial year. As at the Latest Practicable Date, Mr Yeung is interested in 10,974,304 underlying shares (share options) of the Company and 700,000 underlying shares (share options) of China Assets within the meaning of Part XV of the Securities and Futures Ordinance.

(ii) Mr Liu Ji

Mr. Liu, aged 69, was appointed as Independent Non-executive Director on 11th March 2004. Mr Liu is the Honorary President of China Europe International Business School in Shanghai. He holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social, Executive President of China Europe International Business School since 1993. Mr Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing.

Mr. Liu does not hold any positions with the Company or any member of the Company’s group of companies other than acting as independent non-executive director of the Company. Mr. Liu does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company. He does not have any interest in shares of

LETTER FROM THE BOARD

the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Liu executed a service contract with the Company for a period of two years from the date of appointment as Director of the Company. He will be entitled to a director's fee of HK\$240,000 per annum and a further fee of HK\$30,000 per annum for being a member of the Audit Committee of the Company, such fee is determined by reference to the market range for the position and is subject to review by the Board from time to time pursuant to the power given to it under the Articles of Association of the Company.

(iii) Mr. Yu Qi-Hao

Mr. Yu, aged 58, was appointed as Independent Non-executive Director on 17th March 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. He is an independent advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai, and an independent non-executive director and a member of the audit committee of COL Capital Limited. From 1981 to 1991, Mr Yu worked as a certified public accountant in an accountant firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr Yu also worked as an executive director of Shenyin Wanguo (H.K.) Limited from 1995 to 1997 and a non-executive director from 1997 to 1998.

Mr. Yu does not hold any positions with the Company or any member of the Company's group of companies other than acting as independent non-executive director of the Company. Mr. Yu does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company. He does not have any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Yu executed a service contract with the Company for a period of two years from the date of appointment as Director of the Company. He will be entitled to a director's fee of HK\$240,000 per annum and a further fee of HK\$30,000 per annum for being a member of the Audit Committee of the Company, such fee is determined by reference to the market range for the position and is subject to review by the Board from time to time pursuant to the power given to it under the Articles of Association of the Company.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders in connection with the Directors' re-election.

FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed with the annual report for the year ended 31 December 2004 of the Company which will be despatched to the members on 29th April 2005. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instruction printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the Annual General Meeting if they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The directors consider that granting of the mandates to issue and repurchase shares of the Company are in the interest of the Company and so recommend you to vote in favour of the resolutions referred to above at the Annual General Meeting. The directors will vote all their shareholdings in favour of the resolutions.

RIGHT TO DEMAND A POLL

Pursuant to Article 60 of the Articles of Association of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

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

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution. The demand for a poll may be withdrawn.

Yours faithfully,

Lao Yuan Yi

Chairman and Managing Director