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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 the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

DISCLOSEABLE TRANSACTION

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of SHSG by FSPU;
“Agreement”	the subscription and shareholders agreement dated 9th October, 2007 between FSDI, SED and its shareholders and FSPU in relation to the Subscription and the operation and management of FSPU;
“Associates”	the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	First Shanghai Investments Limited (Stock Code: 227), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Agreement;
“Condition”	condition for completion of the Agreement set out in the section headed “Condition” above;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Deposit”	a deposit of US\$26 million in aggregate paid by SED and FSDI to the Shenyang Exchange as to US\$13 million each;
“Directors”	the directors of the Company;
“FSDI”	First Shanghai Direct Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“FSPU”	First Shanghai Public Utility Investments Limited, a company incorporated in Hong Kong and upon Completion of the Agreement will be held as to 50% by each of FSDI and SED;
“FSPU Shares”	shares of HK\$1 each in FSPU;
“Hui Tian”	瀋陽惠天熱電股份有限公司, Shenyang Hui Tian Thermal Power Company Limited, a company listed in the Shenzhen Stock Exchange (stock code 000692);

DEFINITIONS

“Latest Practicable Date”	16th November, 2007 being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
”Ms Zhang”	Ms Zhang Yue;
“SED”	Sino Express Development Limited, a company incorporated in the British Virgin Islands and is controlled by Ms. Zhang;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SHSG”	瀋陽供暖集團有限公司, Shenyang Heat Supply Group Limited, currently a PRC state owned enterprise;
“Shares”	shares of a par value of HK\$1 each in the Company;
“Shareholder(s)”	holder of (a) Share(s);
“Shenyang Exchange”	瀋陽聯合交易所 Shenyang United Assets and Equity Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by each of FSDI and SED;
“Subscription Price”	the sum of HK\$1.00 per Subscription Shares;
“Subscription Shares”	an aggregate of 18 FSPU Shares to be subscribed for by FSDI and SED under the Subscription; and
“Vendor”	the existing owner of SHSG, Shenyang Property Operation Company 瀋陽市房產經營總公司, a PRC state-owned enterprise.

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)

Executive Directors

Mr. Lao Yuan Yi (*Chairman*)

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Registered Office and Head 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

Mr. Zhou Xiaohu

21st November, 2007

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

It was set out in the announcement of the Company dated 1st November, 2007 that on 9th October, 2007, the Company entered into the Agreement.

The Agreement constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. This circular contains details of the Agreement as required under the Listing Rules.

LETTER FROM THE BOARD

THE AGREEMENT

Date: 9th October, 2007 (signed after trading hours)

Parties: FSDI
SED and its shareholders
FSPU

Subject matter: As at the date hereof, FSDI holds 2 FSPU Shares and FSPU is a wholly-owned subsidiary of FSDI. FSDI and SED agreed to subscribe for 8 and 10 FSPU Shares respectively. Upon completion of the Subscription, FSDI and SED shall each hold 50% of the issued share capital of FSPU as enlarged by the issue of the Subscription Shares. After Completion, FSPU will be treated as a “jointly controlled entity” in the accounts of the Company and its results will be equity accounted for (but not be consolidated) in the accounts of the Company.

Subscription Price: HK\$1.00 per FSPU Share payable in cash on Completion

The Subscription Price was determined based on the nominal value of FSPU Shares to be subscribed for by FSDI.

Each of the Company and SED has paid a deposit of US\$13 million (equivalent to approximately RMB97.675 million) on behalf of FSPU to the Shenyang Exchange. On Completion, the Deposit will be treated as partial satisfaction of SED and FSDI’s obligation to fund the Acquisition (as explained below).

The amount of funding of RMB325 million which FSDI is committed to make if the Acquisition is completed is determined based on its 50% pro-rata share of the total consideration of the Acquisition (of 75% interest in SHSG) in the amount of RMB642.05 million and the relevant legal and professional expenses expected to be incurred (excluding the funds required for the possible general offer for Shares in Hui Tian, if required by the China Securities Regulatory Commission). The consideration of the Acquisition is equal to the auction price determined by Shenyang Exchange.

LETTER FROM THE BOARD

Conditions: Completion of the Agreement (including the Subscription and the funding commitment by FSDI) is conditional upon the approval by shareholders of the Company, if required under the Listing Rules.

If the conditions is not fulfilled or waived by 29th February, 2008 (or such other date as may be agreed between FSDI and SED), the Agreement shall terminate and the Company shall use its best endeavours to procure the return of the Deposit to each of FSDI and SED without interest and the parties shall have no claims against each other, save for antecedent breaches.

Completion: Completion of the Subscription shall take place on the next business day after satisfaction or waiver of the Condition.

OTHER TERMS OF THE AGREEMENT:

Each of FSDI and SED has agreed to fund the Acquisition up to the amount of RMB325 million. FSPU has confirmed that on Completion, it will treat the Deposit as partial satisfaction of SED and FSPU's obligation to fund the Acquisition. FSDI and SED acknowledge that there is no further funding obligation on the parties with respect to FSPU unless otherwise agreed and subject always to compliance with the Listing Rules by the Company.

If FSPU does not complete its Acquisition on or before 30th April, 2008, FSDI and SED shall pass resolutions to approve the voluntary liquidation of FSPU. Upon the liquidation of FSPU, the Agreement shall terminate. On liquidation, the assets of FSPU will be distributed after settlement of debts in accordance with normal liquidation principles.

The board of FSPU shall consist of 4 directors, 2 of which shall be nominated by FSDI and 2 shall be nominated by SED. The chairman of the board of FSPU will be approved by majority vote at a board level and any quorum for board meetings will be two directors with one director nominated by each of FSDI and SED. The Agreement contains reserved matters (including new issue of FSPU Shares, making of material capital expenditure, giving of guarantees, borrowing or lending of money, creation of encumbrances over the FSPU Shares etc) which may not be entered into by FSPU unless approved by FSDI and SED in writing.

The Agreement also contains right of first refusal and tag along provisions with respect to the new issue or transfer of Shares in FSPU.

Under the Agreement, FSDI and SED shall procure that FSPU shall declare and pay to the shareholders a dividend pro-rata to their shareholding in respect of each financial year of not less than 30% of the profits for such financial year available for distribution.

LETTER FROM THE BOARD

As SED is an investment holding company, FSDI has requested SED's shareholders to guarantee the obligations of SED under the Agreement. Accordingly, the shareholders of SED have jointly and severally guaranteed to FSDI the due performance by SED of its obligations under the Agreement.

GENERAL INFORMATION

FSPU

FSPU is an investment holding company. According to the Agreement, its business is the holding of its investment in SHSG. SHSG is currently a state owned enterprise. SHSG holds (i) over 90% of the equity interest in 4 companies engaged in the provision of piped heat supply in Shenyang and (ii) approximately 40% equity interest in Hui Tian, a company listed on the Shenzhen Stock Exchange also engaged in the provision of piped heat supply in Shenyang and is the largest supplier in Shenyang. The Acquisition is to be effected by way of public invitation on the Shenyang Exchange. There is no binding obligation on the part of the Company or FSPU to make the Acquisition at this stage. As there was no other qualified potential purchaser, on payment of the Deposit to Shenyang Exchange FSPU was granted an exclusive right to negotiate the terms of the Acquisition with the Vendor. FSPU will now proceed to negotiate the terms of the Acquisition with the Vendor. The Acquisition will be subject to approval of the PRC authorities. According to the rules of the Shenyang Exchange if FSPU waives its right to proceed with the Acquisition, the Deposit will be forfeited. If FSPU proceeds but is unable to conclude the Acquisition, the Deposit will be refunded without interest to FSPU.

No agreement has been entered into in relation to the Acquisition of SHSG as at the Latest Practicable Date. The Company will make an announcement once the agreement for the Acquisition of SHSG has been entered into, if and to the extent required under the Listing Rules.

Based on the unaudited financial statements of FSPU for the year ended 31st December, 2006 the net asset value of FSPU as at 31st December, 2006 was a deficit of HK\$8,910. The net loss before and after tax and extraordinary items for the year ended 31st December, 2006 is HK\$2,705 and HK\$2,705 respectively. Such financial statements of FSPU were prepared according to HKGAAP.

After completion of the Subscription and the provision of funds for the Acquisition, the bank balances of the Company will decrease by approximately RMB325 million with a corresponding increase of RMB325 million in its investment in and loans receivable from a jointly controlled entity. Save as disclosed above, the Subscription does not have other effect on assets and liabilities of the Company. As FSPU has not commenced business at the Latest Practicable Date, the Company considers that the Subscription has no material effect on the earnings of the Company immediately upon the Completion.

LETTER FROM THE BOARD

Background of the parties

FSDI is a wholly-owned subsidiary of the Company. The principal business of FSDI is investment holding.

Ms Zhang is the controlling shareholder of SED. The principal business of SED is investment holding.

SHSG is a state owned enterprise and holds companies engaged in, inter alia, piped heat supply in Shenyang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SED and its ultimate beneficial owners and SHSG are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

The Company has not entered into prior transactions with SED and its ultimate beneficial owners that require aggregation under Rule 14.22 of the Listing Rules.

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

The Company intends to fund the capital commitment payable under the Agreement in cash by internal resources.

REASONS FOR THE TRANSACTION

The Company is of the view that the investment in SHSG is a valuable opportunity to diversify its business and become involved in the public utility business in PRC in view of the promising outlook for SHSG. The Company and SED will become the controlling shareholders through FSPU of Hui Tian. The market value of the shares of Hui Tian owned by SHSG is approximately RMB971.1 million as at the Latest Practicable Date. If the Acquisition is completed, 75% of the registered capital of SHSG will be transferred to FSPU. Accordingly, due to the change in control of SHSG (which holds approximately 40% in Hui Tian), FSPU may be required to make a general offer for the shares in Hui Tian if a waiver is not granted by the China Securities Regulatory Commission. The Company will comply with the provisions of the Listing Rules to the extent applicable if and when such general offer is made. Hui Tian is the largest piped heat supplier in Shenyang and is expected to benefit from the fast economic growth of Shenyang in the coming years.

The Directors (including the independent non-executive directors) are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

The Agreement constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

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

Yours faithfully,
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

(A) Directors' interest

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			Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Lao Yuan Yi	90,216,000	72,952,000	163,168,000	11.94% (Note 1)
Xin Shulin, Steve	7,892,640	—	7,892,640	0.58%
Yeung Wai Kin	2,982,304	—	2,982,304	0.22%

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 share options 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	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017
Xin Shulin, Steve	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017
Yeung Wai Kin	11,810,000 8,032,000	0.564 1.950	30/11/2005 23/05/2007	30/05/2006-11/12/2015 23/11/2007-22/05/2017
Kwok Lam Kwong, Larry, J.P.	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Woo Chia Wei	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Yu Qi Hao	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017
Liu Ji	500,000	1.950	23/05/2007	23/11/2007-22/05/2017

(iii) Convertible bonds

Convertible bonds issued by the Company in the principal amount of HK\$3,186,000 are held by Mr. Lao Yuan Yi. The convertible bonds can be converted into ordinary shares of the Company at a price of HK\$1.32 per share.

(iv) Long position in the ordinary shares of US\$0.10 each in an associated corporation, China Assets (Holdings) Limited

Name of Directors	Number of Shares			Approximate percentage of the associated corporation's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Yeung Wai Kin	100,000	—	100,000	0.13%

(v) *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
	750,000	5.74	25/04/2007	25/04/2007-24/04/2017
Yeung Wai Kin	500,000	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 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.

(B) 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:

(i) The Company

Name of shareholders	Number of Shares held	Approximate percentage of the Company's issued share capital
Lao Yuan Yi	177,525,636 <i>(Note a)</i>	13%
China Assets (Holdings) Limited	248,249,300 <i>(Note b)</i>	18.17%

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. Mr. Lao Yuan Yi, a director of the Company, is a director of Kinmoss Enterprises Limited. Mr. Lao Yuan Yi and Mr. Yeung Wai Kin, directors of the Company, are also directors of China Assets (Holdings) Limited.
- (b) China Assets (Holdings) Limited is a Hong Kong listed company, which is also an associated company of the Group.

(ii) Interest 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) 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) Momentum 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 of Future Match Limited;
- (f) Mr. Lao Yu Sheng and Mr. Bao Rong Qing had 15% and 10% interest respectively in the registered capital of Shanghai Huan Ya Insurance Agency Company Limited;
- (g) Shanghai Hubei Logistics Development Company Limited and China Motor Transportation International Logistics Agency Ltd. had 16.72% and 13% interest respectively in the registered capital of Shanghai Zhong Chuang International Container Storage & Transportation Company Limited;
- (h) Hunan Changfeng Motor Parts Holdings Company Limited had 49% interest in the registered capital of Yongzhou Chang Yi Car Electronics Limited Company;
- (i) Shanghai 863 Information Security Properties Base Company Limited had 45% interest in the registered capital of Shanghai Fu Heng Properties Management Limited; and
- (j) 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 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.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any members of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. 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.

5. 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.

6. 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.