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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

Setting up of a joint venture company
and
Unusual price movement and trading volume

On 9th October, 2007, the Company's subsidiary, FSDI, entered into the Agreement to subscribe for 8 FSPU Shares representing 50% of the issued share capital of FSPU as enlarged by the Subscription Shares. FSPU is set up for the purpose of the Acquisition of 75% of the equity interest in SHSG, a state-owned enterprise which holds companies engaged in, inter alia, the provision of piped heat supply in Shenyang including Hui Tian. 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 in turn 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. Under the Agreement, the Company has agreed to fund the Acquisition up to the maximum amount of RMB325 million.

We have noted the increase in the price and trading volume today of the shares of the Company and wish to state that, save as set out below, we are not aware of any reasons for such increases.

Save as set out herein, we also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09, which is or may be of a price-sensitive nature.

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.
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. SHSG 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.

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 yet. 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.

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 RMB993.5 million as at 1st November, 2007. 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.

IMPLICATIONS UNDER THE LISTING RULES

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

A circular containing further details on the Agreement will be despatched to shareholders as soon as possible.

We have noted the increase in the price and trading volume today of the shares of the Company and wish to state that, save as set out below, we are not aware of any reasons for such increases.

Save as set out herein, we also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09, which is or may be of a price-sensitive nature.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:

"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;
"Acquisition"	the proposed acquisition of SHSG by 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);
"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;
"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.

For the purpose of this announcement, the exchange rate for US$ and RMB is US$1 = RMB7.5135.

As at date of this announcement, the executive directors of the Company are Messrs Lao Yuan Yi, Xin Shulin, Steve, Yeung Wai Kin, the non-executive director is Mr Kwok Lam Kwong, Larry, J.P. and the independent non-executive directors are Messrs Woo Chia Wei, Yu Qi Hao, Liu Ji and Zhou Xiao He.

By Order of the Board
First Shanghai Investments Limited
Lao Yuan Yi
Chairman

Hong Kong, 1st November, 2007