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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

(the "Company")

ACQUISITION OF ASSETS DISCLOSEABLE AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING

The Company entered into an agreement on 11th May, 2007 for the acquisition of the entire issued share capital of, and the benefit of loans of HK\$20,627,610 advanced to, HK Sunshine from the Vendors for an aggregate consideration of HK\$53.96 million, HK\$22.1 million of which is to be paid in cash and the balance of HK\$31.86 million to be satisfied by the issue of the Convertible Bonds.

Mr Lao is the chairman, an executive director and a substantial shareholder of the Company. Ms Lao, an executive director of China Assets (Holdings) Limited (an associate of the Company) and the daughter of Mr Lao, is an associate of Mr Lao under the Listing Rules. The Vendors therefore are connected persons of the Company.

The Agreement constitutes a discloseable and connected transaction of the Company and is subject to the approval of the independent shareholders of the Company under the Listing Rules.

A circular giving details of the Agreement and a summary of the principal terms of the Convertible Bonds and incorporating a notice of an extraordinary general meeting will be sent to shareholders shortly.

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 14th May, 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 17th May, 2007.

AGREEMENT DATED 11TH MAY, 2007 (THE "AGREEMENT")

Parties:

Vendors:

1. Lao Yuan Yi alias Lo Yuen Yat ("Mr Lao"); and
2. Lao Yuan, Vivian alias Lao Yan Yan ("Ms Lao")

(together the "Vendors")

Purchaser: the Company

The parties entered into the Agreement at around 10:00 p.m. on 11th May, 2007.

Assets acquired:

10 shares of HK\$1 each (representing the entire issued share capital) of, and the benefit of loans of HK\$20,627,610 (the "Assigned Loan") advanced by the Vendors to, HK Sunshine Real Estate Limited ("HK Sunshine") which are owned by Mr Lao and Ms Lao in the proportion of 10% and 90% respectively. Upon completion of the Agreement, HK Sunshine will become a wholly owned subsidiary of the Company and accounts of which will be consolidated into that of the Company.

HK Sunshine is a company incorporated in Hong Kong on 6th December, 2006. It and its wholly owned subsidiary are principally engaged in property investment.

On 28th December, 2006, HK Sunshine and 無錫市國土資源局 (the “Bureau”) (Wuxi Municipal State Land Resources Bureau) entered into an agreement (the “Land Transfer Agreement”) (which is supplemented by an agreement dated 28th March, 2007 between the Bureau, HK Sunshine and Wuxi Sunshine Real Estate Limited (“Wuxi Sunshine”), a wholly owned subsidiary of HK Sunshine) whereby Wuxi Sunshine is granted the use of a piece of land in Wuxi, the PRC (the “Land”) at the price of RMB52,900,000 (HK\$53,931,550), RMB20,000,000 (HK\$20,390,000) of which have been paid. The balance of RMB32,900,000 (HK\$33,541,550) (the “Balance Purchase Price”) is payable by 31st May, 2007.

Particulars of the Land are as follows:–

1. Location : South of Gaolang Road and west of Xishi Road, Wuxi, Jiangsu Province, the PRC
2. Site area : 25,178.3 square meters
3. Usage of the Land : Commercial, office (5 star hotel), residential (service apartment only, which shall not exceed 20% of the total gross floor area)
4. Land use period : Commercial 40 years
Residential 70 years
Others 50 years
5. Height limit : 90 meters
6. Timetable for development stated in the Land Transfer Agreement:

31st August, 2007	commencement of construction work
31st March, 2008	completion of construction work for not less than 25% of the total construction area
31st December, 2008	completion of construction work

The unaudited consolidated total assets value of HK Sunshine as at 10th May, 2007 is approximately HK\$42 million, which assets mainly comprise deposit payment for acquisition of the Land of about HK\$20.4 million and bank balance of about HK\$20.3 million. The unaudited net asset value of HK Sunshine as at 10th May, 2007 is a negative figure of (HK\$12,600) as HK Sunshine’s issued share capital is only HK\$10 while all of its investments and payments made have been financed by shareholders loan. After excluding the Assigned Loan which will be assigned to the Company upon completion, the net asset value of HK Sunshine is approximately HK\$21 million.

Consideration:

HK\$53.96 million, HK\$22.1 million of which is to be paid in cash and the balance of HK\$31.86 million to be satisfied by the issue of convertible bonds of the Company (the “Convertible Bonds”) a summary of the principal terms of which is set out below. There is no prior transaction consideration which has to be aggregated with that under the Agreement pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The consideration in cash and the principal amount of the Convertible Bonds to be paid and issued to the Vendors respectively at completion are as follows:–

	Cash	Principal amount of Convertible Bonds
Mr Lao	HK\$2,210,000	HK\$3,186,000
Ms Lao	HK\$19,890,000	HK\$28,674,000

Debenham Tie Leung, an independent valuer (the “Valuer”), has valued the capital value of the Land in existing state based on the direct comparison approach at RMB86.86 million as at 31st March, 2007 on the assumption that the Certificate for the Use of State-owned Land is obtained. The consideration was arrived at after arm’s length negotiations and with reference to the said valuation of the land by the Valuer with deduction of the Balance Purchase Price (in the sum of RMB32,900,000 (HK\$33,541,550)). On this basis the directors of the Company consider that the terms of acquisition are fair and reasonable and in the interests of the shareholders as a whole.

The Company will convene an extraordinary general meeting to seek shareholders' approval on the Agreement and obtain shareholders' specific mandate for the issue of the Convertible Bonds pursuant to the Agreement. Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a listing of and permission to deal in the new shares of the Company to be issued upon exercise of the conversion rights under the Convertible Bonds.

Settlement of outstanding and further shareholder's loan:

The existing interest free shareholders' loan advanced to HK Sunshine amount to HK\$41,999,610 in total. Upon completion, First Shanghai will be assigned the benefits of the Assigned Loan with the balance of shareholders' loan in the total sum of HK\$21,372,000 ("Balance Shareholders' Loan") left outstanding.

First Shanghai has undertaken to procure HK Sunshine to repay the Balance Shareholders' Loan and further interest free shareholders' loan of not more than RMB35,016,000 (HK\$35,698,812) which may be advanced by the Vendors to HK Sunshine and Wuxi Sunshine prior to completion for payment of the Balance Purchase Price and deed tax for the Land, total of which not be more than HK\$57,070,812 (based on the exchange rate of HK\$1.0195 for RMB1), within 3 months after completion.

The original purchase cost of the assets to be sold to the Company, which comprises the entire issued share capital of HK Sunshine and the Assigned Loan only, to the Vendors is about HK\$20.6 million as at the date of this announcement.

Summary of the principal terms of the Convertible Bonds:

Interest

1% per annum, which will be payable yearly in arrears.

Maturity

The second anniversary of the date of issue of the Convertible Bonds (the "Maturity Date").

Conversion right

The holders of the Convertible Bonds may convert the whole or part of the Convertible Bonds into shares of the Company at the conversion price during the conversion period mentioned below.

Conversion price

HK\$1.32 per share of HK\$0.20 of the Company ("Share") (subject to adjustment), representing a discount of about 0.75% under the closing price of HK\$1.33 per Share quoted on the Stock Exchange on 11th May, 2007 or a premium of about 15.6% over the average closing price of HK\$1.142 per Share for the five trading days from 7th May, 2007 to 11th May, 2007 (both dates inclusive) and a premium of about 18.39% over the average closing price of HK\$1.115 per Share for the 10 trading days from 27th April, 2007 to 11th May, 2007 (both dates inclusive). If the holder of the Convertible Bonds exercises the conversion right in full at the initial conversion price of HK\$1.32 per Share, a total of 24,136,363 Shares will be issued, representing about 1.97% of the existing issued share capital of the Company and 1.93% of the issued share capital of the Company as enlarged by such issue.

Adjustment to conversion price

The initial conversion price of HK\$1.32 is subject to subsequent adjustments. Adjustment events will include changes in the share capital of the Company, such as consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company at a discount to market price subject to the terms and conditions of the Convertible Bonds.

Conversion period

From the issue date of the Convertible Bonds until the Maturity Date.

Ranking

Shares issued on conversion will rank pari passu in all respects with the existing shares of the Company at the date of conversion.

Voting

The holders of the Convertible Bonds will not be entitled to attend or vote at general meetings of the Company.

Transferability

The Convertible Bonds will not be assignable or transferable except with the written consent of the board of directors of the Company.

Payment terms:

The cash portion of the purchase price will be paid and the Convertible Bonds issued on completion.

Funding:

The purchase price to be paid in cash will be funded from internal resources and available banking facilities.

Conditions of the Agreement:

Completion of the Agreement is conditional upon:

- (a) the approval of the independent shareholders at an extraordinary general meeting of the Company as required by the Listing Rules; and
- (b) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the new Shares upon exercise of the Convertible Bonds.

If the conditions are not fulfilled on or before 30th June, 2007 or such other date as the parties may mutually agree, the Agreement will lapse.

Completion date:

The Agreement is expected to be completed on the 3rd business day following the Agreement becoming unconditional.

POTENTIAL CHANGE OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has granted share options to subscribe for an aggregate of 73,236,000 Shares to the following entities and which are outstanding (the "Outstanding Options"):-

Directors

Mr Lao Yuan Yi	25,482,000
Mr Xin Shulin	11,810,000
Mr Yeung Wai Kin	18,790,000
Ms Lao	5,000,000
Other employees	12,154,000

73,236,000

The shareholding structure of the Company as at the date of this announcement (which will be the same as that upon completion of the Agreement assuming no further new shares of the Company are issued up to the completion date); that upon full exercise of the conversion rights under the Convertible Bonds by the Vendors (with all Outstanding Options unexercised); and that upon full exercise of the Convertible Bonds and the Outstanding Options are set out below:-

Shareholders	As at the date of this announcement		Upon full exercise of the Convertible Bonds (Note 1)		Upon full exercise of the Convertible Bonds and the Outstanding Options	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors						
Lao Yuan Yi	137,686,000 (Note 2)	11.23	140,099,636	11.21	165,581,636	12.51
Xin Shulin Steve	7,802,640	0.64	7,802,640	0.62	19,612,640	1.48
Yeung Wai Kin	3,994,304	0.33	3,994,304	0.32	22,784,304	1.72
Hu Yi Ming	1,000,000	0.08	1,000,000	0.08	1,000,000	0.08
China Assets (Holdings) Limited	248,249,300	20.25	248,249,300	19.86	248,249,300	18.76
Ms Lao	-	-	21,722,727	1.74	26,722,727	2.02
	<u>398,732,244</u>	<u>32.53</u>	<u>422,868,607</u>	<u>33.83</u>	<u>483,950,607</u>	<u>36.57</u>
Public shareholders (other than stated above)	<u>827,218,405</u>	<u>67.47</u>	<u>827,218,405</u>	<u>66.17</u>	<u>839,372,405</u>	<u>63.43</u>
Total	<u>1,225,950,649</u>	<u>100.00</u>	<u>1,250,087,012</u>	<u>100.00</u>	<u>1,323,323,012</u>	<u>100.00</u>

Notes:

1. On the assumption that no Outstanding Option is exercised up to the date on which the conversion rights under Convertible Bonds are exercised in full.
2. 72,952,000 shares are held by Kinmoss Enterprises Limited, the issued share capital of which is wholly beneficially owned by Mr Lao. The balance of 64,734,000 shares are directly beneficially owned by him.

REASONS FOR THE TRANSACTION

The proposed acquisition of the Land will enable the Company to expand its land bank in China at a reasonable price.

CONNECTION BETWEEN THE PARTIES

Mr Lao is the chairman, an executive director and a substantial shareholder of the Company. Ms Lao, an executive director of China Assets (Holdings) Limited (an associate of the Company) and the daughter of Mr Lao, is an associate of Mr Lao under Rule 14A.11(4)(b) of the Listing Rules. The Vendors therefore are connected persons of the Company.

INFORMATION FOR SHAREHOLDERS

The Company and its subsidiaries are principally engaged in property development, securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicles meters and components, investment holding, property holding and management.

For the Company, the acquisition is a discloseable and connected transaction under the Listing Rules. As the percentage ratios (other than profits ratio) is more than 2.5% but less than 25% and the total consideration is more than HK\$10,000,000, the transaction is subject to independent shareholders' approval, with vote to be taken by poll on the relevant resolution(s) to be proposed in a general meeting. Mr. Lao and his associates will be required to abstain from voting on the resolution(s) to be proposed at the extraordinary general meeting of the Company to approve the acquisition.

The Company has established an independent board committee comprising Messrs. Woo Chia Wei, Liu Ji and Yu Qi Hao (all independent non-executive directors of the Company) to advise the independent shareholders about the Agreement. It will appoint an independent financial adviser to advise the independent board committee in this regard.

A circular giving details of the Agreement and a summary of the principal terms of the Convertible Bonds, setting out the recommendation of the independent board committee and the advice of the independent financial adviser, and incorporating a notice of an extraordinary general meeting will be sent to shareholders shortly.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Share of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 14th May, 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 17th May, 2007.

The exchange rate for Hong Kong dollars and Renminbi adopted in this announcement is HK\$1.0195 for RMB1.

By Order of the Board
Yeung Wai Kin
Executive director

Hong Kong, 16th May, 2007

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

Please also refer to the published version of this announcement in The Standard.