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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 to the purchaser or to the bank, stockbroker 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)

**PROPOSED DISPOSAL OF ASSETS  
DISCLOSEABLE TRANSACTION**

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30th April, 2007



**FIRST SHANGHAI INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 227)

*Directors:*

Mr. Lao Yuan Yi (*Chairman*)  
Mr. Xin Shulin, Steve  
Mr. Yeung Wai Kin  
Mr. Hu Yi Ming  
Mr. Kwok Lam Kwong, Larry, *J.P.\**  
Prof. Woo Chia Wei\*\*  
Mr. Liu Ji\*\*  
Mr. Yu Qi Hao\*\*

*Registered office and  
principal place of business:*

1903, Wing On House  
71 Des Voeux Road Central  
Hong Kong

\* *Non-executive director*

\*\* *Independent non-executive directors*

30th April, 2007

*To the shareholders*

Dear Sir or Madam,

**PROPOSED DISPOSAL OF ASSETS  
DISCLOSEABLE TRANSACTION**

**INTRODUCTION**

It was announced on 10th April, 2007 that First Shanghai Direct Investments Limited, a wholly owned subsidiary of First Shanghai Investments Limited (the “Company”), entered into an agreement on 5th April, 2007 for the disposal of the entire issued share capital of, and the benefit of loans of about HK\$61.1 million advanced to, First Shanghai Hotel Group Limited (“FSHG”) for an aggregate cash consideration of RMB201.5 million (about HK\$204.2 million), subject to adjustment (the “Agreement”).

For the Company, the Agreement is a discloseable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The purpose of this circular is to give you further details of the Agreement in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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## LETTER FROM THE BOARD

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### AGREEMENT DATED 5TH APRIL, 2007

#### Parties:

- Vendors:**
1. First Shanghai Direct Investments Limited (“FSDI”), a wholly owned subsidiary of the Company
  2. Shen Jiange (“SDA Shareholder”), an independent third party

**Purchaser:** KHI-11, Ltd. (the “Purchaser”), an independent third party

#### Assets disposed:

FSDI agrees to sell the entire issued share capital of, and the benefits of loans of about HK\$61.1 million advanced to, First Shanghai Hotel Group Limited (“FSHG”).

FSHG is a company incorporated in the British Virgin Islands on 15th January, 2002. For the two years ended 31st December, 2006, its unaudited consolidated losses were about HK\$12.3 million and HK\$1.2 million respectively (derived from its management accounts prepared according to the Hong Kong Accounting Standard).

FSHG holds 65% interest in Kunshan Traders Park Hotel Co. Ltd. (“Kunshan Traders”), a wholly foreign owned enterprise established under the laws of the PRC, which owns the assets and business of Traders Hotel at Kunshan, Jiangsu Province, the People’s Republic of China (the “Hotel”). Kunshan Traders is the owner of the land-use rights for a site of 8,422 square metres on which the Hotel is located for a term of 39 years from 29th June, 2004 to 29th June, 2043. The Hotel has 387 rooms, recreational facilities, restaurants, meeting space, shops and a business centre. It commenced operation in October, 2005.

The balance of the 35% interest in Kunshan Traders is owned by Sino Dragon Asset Limited (“SDA”), a company wholly owned by SDA shareholder. SDA shareholder agrees to sell to the Purchaser the entire issued share capital of, and the benefits of loans advanced to, SDA.

The assets to be disposed of by FSDI had an unaudited consolidated total book value of about HK\$51.2 million as at 31st December, 2006 (derived from its management accounts prepared according to the Hong Kong Accounting Standard).

Accounts of FSHG are consolidated into that of the Company. After the disposal, the Company will cease to have any shareholding in FSHG and accounts of FSHG will no longer be consolidated into that of the Company.

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## LETTER FROM THE BOARD

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### **Consideration:**

The total consideration under the Agreement is RMB310 million in cash, 65% of which (RMB201.5 million, about HK\$204.2 million) is payable to FSDI and 35% (RMB108.5 million, about HK\$110 million) to SDA Shareholder (the “Consideration”). After completion, the Purchaser shall pay to FSDI and SDA Shareholder (the “Sellers”) an amount equal to the working capital of FSHG, SDA and Kunshan Traders (the “Target Group”) as at the completion date (to be calculated in accordance with the terms of the Agreement), up to a maximum of RMB2 million (about HK\$2.03 million), or if such working capital is negative, the Sellers shall pay the Purchaser an amount by which the working capital is less than zero, which shall be shared/borne by FSDI and SDA Shareholder in the ratio of 65% and 35% respectively (the “Working Capital Payment”). There is no prior transaction consideration of which has to be aggregated with that under the Agreement pursuant to Rule 14.22 of the Listing Rules.

The price was arrived at after arm’s length negotiations with reference to the net asset value as at 31st December, 2006 and the expected earnings potential of Kunshan Traders.

The directors (including independent non-executive directors) of the Company (the “Directors”) consider that the terms of disposal are fair and reasonable and on normal commercial terms and the disposal is in the interests of the shareholders as a whole.

The consideration to be received by the Group under the Agreement exceeds the net book value of the assets as at 31st December, 2006 by approximately HK\$153 million.

### **Payment terms:**

The Consideration is due in cash in US dollars on completion, provided that US\$500,000 (about HK\$3.9 million) thereof shall be held by an escrow agent to satisfy any claim of the Purchaser for damages under the Agreement.

The Working Capital Payment shall be settled within 14 days after the date on which the completion accounts have been agreed or determined in accordance with the Agreement.

### **Use of proceeds:**

The proceeds of the disposal will be used as additional working capital.

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## LETTER FROM THE BOARD

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### Conditions of the Agreement:

Completion of the Agreement is conditional upon:

- (a) the approval of the shareholders of the Company, if required by the Listing Rules;
- (b) Kunshan Traders possessing at least RMB1,000,000 of cash and the working capital of the Target Group (to be calculated in accordance with the terms of the Agreement) must be positive on the completion date; and
- (c) each of the Sellers delivering to the Purchaser certificates in the agreed form, dated the completion date, certifying that (i) the conditions of the Agreement have been fulfilled, (ii) Sellers' warranties thereunder are accurate and (iii) Sellers have complied through completion with their obligations thereunder.

As the Agreement constitutes a discloseable transaction under the Listing Rules, no shareholders' approval is required.

**If the conditions are not fulfilled on or before 2:00 p.m. (Beijing time) on 14th August, 2007 and the Purchaser has not waived the unsatisfied conditions (except condition (a)), extended the termination date or given notice to terminate the Agreement, the Agreement will lapse at 3:00 p.m. (Beijing time) on such date.**

### Completion date:

The Agreement is expected to be completed on or before 30th April, 2007 after satisfaction or waiver of the conditions of the Agreement.

### GUARANTEE

At completion, the Company shall deliver to the Purchaser a guarantee in favour of the Purchaser as security for FSDI's performance of its obligations under the Agreement up to the limit of US\$650,000.

### REASONS FOR THE DISPOSAL

FSDI agrees to dispose of the assets in order to realise the gain on the investment. The Company and its subsidiaries (the "Group") do not own any hotel other than the Hotel. The Group may look for other hotel investment opportunities after the disposal.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT ON THE GROUP

Based on the total net book value of the assets of about HK\$51.2 million as at 31st December, 2006 and taking into account additional shareholder's loan of about HK\$3 million to be advanced to FSHG in April 2007, there is an estimated gain of about HK\$145 million over book value arising on the disposal, after deducting legal and other related expenses.

After Completion, the Company will no longer consolidate the results, assets and liabilities of FSHG and its subsidiary. As FSHG has not yet recorded any profit, disposal of the entire interests in it does not have any material effect on the Group. For the estimated effect on assets and liabilities, taking into no account of the net cash proceeds will be received, the consolidated net current liabilities, non-current assets and bank borrowings should be reduced by approximately HK\$5 million, HK\$225 million and HK\$142 million respectively.

### CONNECTION BETWEEN THE PARTIES

The Company confirms that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its beneficial owners, and SDA Shareholder are third parties independent of the Company and connected persons of the Company.

### INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in investment holding, securities dealing, logistics, property development and management.

The Purchaser is principally engaged in investment holding. It is a subsidiary of Kingdom Hotel Investments, a leading international hotel and resort investment company.

The exchange rate for Renminbi and Hong Kong dollars adopted in this circular is RMB1 for HK\$1.0134.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
**Lao Yuan Yi**  
*Chairman*

**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 inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**DISCLOSURE OF INTERESTS****Interests of Directors**

As at 26th April, 2007 (the “Latest Practicable Date”), the interests of the Directors in the share capital of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

*Long position**(a) Shares of the Company of HK\$0.20 each of the Company (“Shares”)*

<b>Name</b>	<b>Number of Shares</b>	<b>Nature of interest</b>	<b>Percentage of shareholding</b>
Lao Yuan Yi	130,326,000	Note	10.90
Xin Shulin	838,640	Personal	0.07
Yeung Wai Kin	1,494,304	Personal	0.125
Hu Yi Ming	1,300,000	Personal	0.109

*Note:* 72,952,000 Shares are held by Kinmoss Enterprises Limited (“Kinmoss”), the issued share capital of which is wholly beneficially owned by Mr. Lao Yuan Yi. The balance of 57,374,000 Shares are directly beneficially owned by him.

*(b) Options to subscribe for Shares*

<b>Name</b>	<b>Number of Shares entitled to subscribe for</b>	<b>Exercise price per Share (HK\$)</b>	<b>Date of grant</b>	<b>Exercise period</b>
Lao Yuan Yi	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, Steve	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	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

*(c) Shares of US\$0.10 each of China Assets Holdings Limited (“CA Shares”), an associated corporation of the Company*

<b>Name</b>	<b>Number of CA Shares</b>	<b>Nature of interest</b>	<b>Percentage of shareholding</b>
Yeung Wai Kin	200,000	Personal	0.26

*(d) Options to subscribe for CA Shares*

<b>Name</b>	<b>Number of CA Shares entitled to subscribe for</b>	<b>Exercise price per CA Share (HK\$)</b>	<b>Date of grant</b>	<b>Exercise period</b>
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 any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have 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 he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

### Interests of other persons in the share capital of the Company

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) had an interest in the shares and 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:

Name	Number of Shares	Nature of interest	Percentage of shareholding
China Assets Holdings Limited ("China Assets")	248,249,300	Beneficial owner	20.77

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any 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.

Mr. Lao Yuan Yi is the sole director of Kinmoss and the Chairman and an executive director of China Assets. Mr. Yeung Wai Kin is a non-executive director of China Assets.

### Interests 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) 長春一汽四環集團有限公司 (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 Future Match Limited;
- (f) Sino Dragon Asset Limited had 35% interest in the registered share capital of Kunshan Traders Park Hotel Company Limited;
- (g) 上海亞東國際貨運有限公司 (Shanghai Yadong International Logistics Company Limited) had 25% interest in the registered capital of Shanghai Huan Ya Insurance Agency Company Limited;
- (h) 上海亞東國際貨運有限公司 (Shanghai Yadong International Logistics Company Limited) had 15% interest in the registered capital of Shanghai Yi Hang Logistic Network Management Limited;
- (i) 上海滬北物流發展有限公司 (Shanghai Hubei Logistics Development Company Limited) and 中國汽車運輸國際貨運代理有限公司 (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;
- (j) 湖南長豐汽車零部件控股有限責任公司 (Hunan Changfeng Motor Parts Holdings Company Limited) had 49% interest in the registered capital of Yongzhou Chang Yi Car Electronics Limited Company;
- (k) 上海八六三信息安全產業基地有限公司 (Shanghai 863 Information Security Properties Base Company Limited) had 45% interest in the registered capital of Shanghai Fu Heng Properties Management Limited; and
- (l) 深圳市海潤達電子技術有限公司 (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 were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any member of the Group or any options in respect of such capital.

**Service contracts**

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

**Competing business**

None of the Directors has any interest in any business which competes or is likely to complete, either directly or indirectly, with the Group's business.

**LITIGATION**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**GENERAL**

- (a) 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.
- (b) 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.
- (c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.