
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)

PROPOSALS FOR
(1) GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE SHARES
AND
(2) RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING

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 Friday, 26th May 2006 at 2:30 p.m. is set out on pages 9 to 11 of this circular. A form of proxy is also enclosed.

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 Annual General Meeting if they so wish.

2nd May 2006

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 26th May 2006 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong at 2:30 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”	28th April 2006 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*)

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.

Principal place of business:

Room 1903

Wing On House

71 Des Voeux Road Central

Hong Kong

Independent Non-executive Directors:

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qi Hao

2nd May 2006

To the shareholders

Dear Sir or Madam,

**PROPOSALS FOR
(1) GENERAL MANDATES
TO ISSUE SHARES AND TO REPURCHASE SHARES
AND
(2) RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

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 26th May 2006, notice of which is set out on pages 9 to 11 of this circular. 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 28th April, 2006 (the "Latest Practicable Date"), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 1,182,029,805 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 Annual General Meeting, could accordingly result in up to 236,405,961 Shares being issued by the Company.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, 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 1,182,029,805 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 Annual General Meeting, could accordingly result in up to 118,202,980 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, 2005 (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 per cent. and 10.56 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 23.34 per cent. and 11.73 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\$
2005		
May	0.620	0.540
June	0.610	0.560
July	0.590	0.550
August	0.630	0.570
September	0.670	0.570
October	0.640	0.495
November	0.710	0.550
December	0.590	0.550
2006		
January	0.660	0.550
February	0.750	0.610
March	0.730	0.620
April (up to Latest Practicable Date)	0.870	0.650

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. Hu Yi Ming

Mr. Hu, aged 43, was appointed as Director of the Company in 1998. He joined the Group in 1996 as Managing Director of its Assets Management Division. Prior to joining the Group, Mr. Hu was Vice President - Foreign Exchange of Banque Paribas, Hong Kong Branch. Mr. Hu graduated with a Bachelor of Economics degree from the Shanghai University of Finance and Economics. After his graduation, he gained extensive experience in money market dealing from several reputable corporations in PRC, USA and Singapore.

Mr. Hu does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Hu 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. Hu is entitled to a fixed salary of HK\$580,000 per annum 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. Hu in the relevant financial year. As at the Latest Practicable Date, Mr. Hu is interested in 2,300,000 underlying shares (share options) of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as mentioned above, Mr. Hu does not have any other matters that need to be brought to the attention of the shareholders of the Company or any other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

(ii) Professor Woo Chia-Wei

Prof. Woo, aged 68, was appointed as Independent Non-Executive Director in 1993. Currently Senior Advisor to the Shui On Holdings Limited. President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited and Legend Holdings Limited. He serves on the Commission on Strategic Development and Council of Advisors on Innovation and Technology of HKSAR, and the Chinese People's Political Consultative Conference.

Prof. Woo 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. Prof. Woo does not have any relationship with any other Directors, senior management, substantial shareholder or controlling shareholder of the Company. He is interested in 72,000 underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Prof. Woo executed a service contract with the Company for a period of two years. He will be

LETTER FROM THE BOARD

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.

Save as mentioned above, Prof. Woo does not have any other matters that need to be brought to the attention of the shareholders of the Company or any other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

(iii) Mr. Kwok Lam-Kwong, Larry, J.P.

Mr. Kwok, aged 50, was appointed as Independent Non-Executive Director in 1994 and has been re-designated to Non-Executive Director of the Company with effect from 17th March 2005. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of the Princess Margaret Hospital/Kwai Chung Hospital, a member of the Traffic Accident Victims Assistance Advisory Committee and a member of the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Mr. Kwok does not hold any positions with the Company or any member of the Company's group of companies other than acting as non-executive director of the Company. Mr. Kwok 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. Kwok executed a service contract with the Company for a period of two years. 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.

Save as mentioned above, Mr. Kwok does not have any other matters that need to be brought to the attention of the shareholders of the Company or any other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

ANNUAL GENERAL MEETING

On pages 9 to 11 of this circular, you will find a Notice convening the Annual General Meeting at which ordinary resolutions will be proposed to grant to the Directors 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.

LETTER FROM THE BOARD

FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed with this circular. 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 instructions printed thereon not less than 48 hours before the time appointed for the holding of the Annual General Meeting. Completion and return of the form of proxy will not prevent the Shareholders from attending and voting at the Annual General Meeting if they so wish.

RECOMMENDATION

The Directors consider that granting of the general 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.

PROCEDURES FOR DEMANDING POLL BY SHAREHOLDERS

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

- (i) by the chairman of the meeting; or
- (ii) by or on behalf of two shareholders; or
- (iii) by or on behalf of any shareholder entitled to vote at a meeting, and holding in the aggregate not less than 10 per cent. of the paid up share capital of the Company, carrying the right to vote at the meeting; or
- (iv) 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.

Yours faithfully,
Lao Yuan Yi
Chairman

NOTICE OF ANNUAL GENERAL MEETING



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on Friday, 26th May 2006 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and the Auditors for the year ended 31st December 2005.
2. To re-elect those Directors retiring in accordance with the Articles of Association and fix their remuneration.
3. To declare a final dividend of HK\$0.015 per share for the year ended 31st December 2005.
4. To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, ‘Relevant Period’ means the period from the passing of this Resolution until the earlier of:
 - i. the conclusion of the next annual general meeting;
 - ii. the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; and

NOTICE OF ANNUAL GENERAL MEETING

- iii. the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held.”
6. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which may require the exercise of such power, be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - (c) otherwise than pursuant to a right issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or the exercise or subscription right under the share option scheme of the Company, the total nominal amount or share capital issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
 - (d) for the purpose of this Resolution, ‘Relevant Period’ shall have the same meaning as in resolution no. 5(c).”
7. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT conditional upon resolution no. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are purchased by the Company under the authority granted to the Directors as mentioned in resolution no. 5 above shall be

NOTICE OF ANNUAL GENERAL MEETING

added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 6 above.”

By Order of the Board

LAO Yuan Yi

Chairman

Hong Kong, 28th April 2006

Registered Office:

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

Notes:

1. The register of members of the Company will be closed from Tuesday, 23rd May 2006 to Friday, 26th May 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 22nd May 2006.
2. Every member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.