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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

CONNECTED TRANSACTION

DISPOSAL OF A COMPANY HOLDING SHARES IN SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

The Board is pleased to announce that on 27th July 2009, the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase (a) the Sale Share and (b) the rights of and benefits in the Sale Loan for an aggregate cash consideration of HK\$1,099,961,604 (representing the entire interest of the Company in SI Technology). SI Technology is a wholly-owned subsidiary of the Company and its principal asset is 1,833,269,340 SMIC Shares, representing approximately 8.2% shareholding interest in SMIC as at the date of this announcement.

SIIC is the holding company of the Company which is interested in approximately 50.80% of the total issued share capital of the Company. The Purchaser is an indirect wholly-owned subsidiary of SIIC and thus a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. SIIC and its associates will be required to abstain from voting in respect of the ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders in relation to the Disposal. An independent financial adviser has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

A circular containing, among other things, details of the Disposal, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal, the notice convening the EGM and other information of the Company will be despatched to the Shareholders as soon as practicable.

THE SALE AND PURCHASE AGREEMENT

Date

27th July 2009

Parties

- (1) the Company
- (2) the Purchaser, an indirect wholly-owned subsidiary of SIIC

Assets to be disposed of

- (a) the Sale Share, representing the entire issued share capital of SI Technology; and
- (b) the rights of and benefits in the Sale Loan. For reference purpose, based on the unaudited management accounts of SI Technology for the six months ended 30th June 2009, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Sale Loan amounted to HK\$1,703,338,163.80 as at 30th June 2009.

SI Technology is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. Its principal asset is 1,833,269,340 SMIC Shares, representing approximately 8.2% shareholding interest in SMIC as at the date of this announcement.

Consideration

The Consideration is HK\$1,099,961,604 which shall be satisfied in full by cash, with 70% of the Consideration (being HK\$769,973,123) payable on the Completion Date (the “First Payment”) and the remaining HK\$329,988,481 payable on or before the date falling six months after the First Payment (or such other later date as the Company and the Purchaser may agree in writing).

The Consideration was determined after commercial negotiations between the parties at arm’s length basis and with reference to the valuation of the underlying SMIC Shares under the Disposal as at 30th June 2009 of HK\$0.60 per SMIC Share as prepared by DTZ Debenham Tie Leung Limited, an independent valuer, based on the market approach. The interest in SMIC held by SI Technology is accounted for by the Company by way of equity accounting and therefore the operating loss from SMIC has been shared by the Company.

The consideration per SMIC Share payable by the Purchaser being HK\$0.60 represents:-

- 1. approximately 39.5% premium over the closing price of HK\$0.43 per SMIC Share as quoted on the Stock Exchange on 24th July 2009 (being the last trading date immediately prior to the date of the Sale and Purchase Agreement);

2. approximately 41.5% premium over the average closing price of approximately HK\$0.424 per SMIC Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including 24th July 2009.

Conditions

Completion is conditional upon the following conditions being satisfied on or before:

- (a) the passing of a resolution at an extraordinary general meeting of the Company by the Independent Shareholders under the Listing Rules to approve the Sale and Purchase Agreement and the transactions contemplated hereunder; and
- (b) the Company and the Purchaser having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Sale and Purchase Agreement.

If the Conditions shall not have been fulfilled on or before the 31st December 2009, the Sale and Purchase Agreement shall lapse and neither the Company nor the Purchaser shall have any claim against the other party except in respect of any antecedent claim or breach.

Completion

Completion of the Sale and Purchase Agreement shall take place on the Completion Date (or such later date as may be agreed by the Company and the Purchaser in writing).

FINANCIAL EFFECTS OF THE DISPOSAL

The unaudited loss before and after taxation of SI Technology for both of the two years ended 31st December 2008, which were prepared in accordance with the Hong Kong Financial Reporting Standards were as follows:

	Year ended 31st December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before and after taxation	219,881	27,959

The unaudited total asset value and the unaudited net asset value of SI Technology as at 31st December 2008 amounted to approximately HK\$2,068,123,000 and approximately HK\$365,428,000 respectively. Upon Completion, it is estimated that the Group will record a loss of approximately HK\$840 million subject to the financial position of SMIC up to Completion by reference to the carrying value of SMIC held by the Group as at 31st March 2009.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The entering into of the Sale and Purchase Agreement will help further streamline the Group's business structure which is in line with its strategies for disposing its non-core businesses. Furthermore, as the Company has been sharing operating losses from SMIC in recent years, the Disposal offers an exit for the Company to transfer its investment in SMIC to its parent company, and to direct the proceeds to other business opportunities in relation to its core business projects.

The Company intends to use the proceeds from the Disposal for the general working capital of the Company, and may apply such proceeds towards potential acquisition that may arise from time to time in the future. Upon Completion, SI Technology will cease to be a subsidiary of the Company.

The Directors (excluding the independent non-executive Directors whose view will be given after considering the opinion of an independent financial adviser in relation to the Disposal) are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

SIIC is the holding company of the Company which is interested in approximately 50.80% of the total issued share capital of the Company. The Purchaser is an indirect wholly-owned subsidiary of SIIC and thus a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. SIIC and its associates will be required to abstain from voting in respect of the ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders in relation to the Disposal. An independent financial adviser has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

A circular containing, among other things, details of the Disposal, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal, the notice convening the EGM and other information of the Company will be despatched to the Shareholders as soon as practicable.

GENERAL

The Company is principally engaged in the business of infrastructure facilities, medicine, consumer products and real estate.

The Purchaser is principally engaged in investment holding.

SMIC is principally engaged in the manufacture and sale of semiconductor.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day”	means a day (other than a Saturday and Sunday) on which licensed banks are open for business in Hong Kong;
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan pursuant to and in accordance with the Sale and Purchase Agreement;
“Completion Date”	means five (5) Business Days after the date on which all the Conditions have been fulfilled (or such later date as the Parties may agree in writing) on which Completion shall take place in accordance with the Sale and Purchase Agreement;
“Consideration”	the aggregate cash consideration for the Sale Share and the Sale Loan;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Share and the Sale Loan to the Purchaser pursuant to the Sale and Purchase Agreement;
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board comprising the three independent non-executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia Wei and Mr. Leung Pak To, Francis;

“Independent Shareholders”	Shareholders other than SIIC and its associates;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Shanghai Industrial Financial (Holdings) Company Limited (上海實業金融控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SIIC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27th July 2009 entered into between the Company and the Purchaser in relation to the sale and purchase of the Sale Share and the Sale Loan;
“Sale Loan”	means the unsecured, interest-free loan repayable on demand owing by SI Technology to the Company as at Completion;
“Sale Share”	one (1) ordinary share of US\$1.00 each in the issued share capital of SI Technology;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company;
“SMIC”	Semiconductor Manufacturing International Corporation, a company incorporated in the Cayman Islands with limited liability and the ordinary shares and the American depository shares of which are listed on the Main Board of the Stock Exchange (stock code: 981) and the New York Stock Exchange respectively;
“SMIC Shares”	ordinary shares of par value US\$0.0004 each in the capital of SMIC;
“SI Technology”	S.I. Technology Production Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“US\$” United States dollars, the lawful currency of the United States of America;

“%” per cent.

By Order of the Board
Shanghai Industrial Holdings Limited
Leung Lin Cheong
Company Secretary

Hong Kong, 27th July 2009

As at the date of this announcement, the Board is comprised of:

Executive Directors

Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Yao Fang and Mr. Zhou Jun

Independent Non-Executive Directors

Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis