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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF SHAREHOLDINGS IN SHANGHAI INDUSTRIAL DEVELOPMENT CO., LTD.

On 16 August 2010, the Vendor, the Company and SI Properties Development entered into the Equity Transfer Agreement in relation to the Acquisition pursuant to which it was conditionally agreed that the Company shall through SI Properties Development acquire the Subject Shares from the Vendor at an aggregate consideration of RMB5,130,371,404.56 (equivalent to approximately HK\$5,827,319,000), which is subject to the final determination of the State-owned Assets Administration Department, on and subject to the terms and conditions of the Equity Transfer Agreement. As a strategic foreign investor, SI Properties Development is subject to the relevant provisions of the Ministry of Commerce and is required to undertake not to dispose of the Subject Shares for a period of 3 years from the Completion Date.

SIIC, the controlling Shareholder, is authorized to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as the state-owned shareholder of SIIC Shanghai. As such, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is not less than 5% and the Consideration is not less than HK\$10,000,000, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is not less than 5% but are less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will convene the EGM at which resolutions will be proposed for approval by the Independent Shareholders of the Equity Transfer Agreement and the transactions contemplated

thereunder. As SIIC has a material interest in the Acquisition and the transactions contemplated under the Equity Transfer Agreement by reason of it being the state-owned shareholder of the Vendor, SIIC and its associates shall abstain from voting on the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Acquisition and KBC Bank N.V. Hong Kong Branch has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, amongst other things, details of the Acquisition and the Equity Transfer Agreement, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders, the notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders. The circular is currently expected to be despatched to the Shareholders on or before 3 September 2010.

On 16 August 2010, the Vendor, the Company and SI Properties Development entered into the Equity Transfer Agreement in relation to the Acquisition pursuant to which it was conditionally agreed that the Company shall through SI Properties Development acquire the Subject Shares from the Vendor on and subject to the terms and conditions of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

Date

16 August 2010

The parties

- (a) SIIC Shanghai as vendor
- (b) the Company as an indirect purchaser
- (c) SI Properties Development as the direct purchaser

SIIC, the controlling Shareholder, is authorized to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as the state-owned shareholder (國有股東) of SIIC Shanghai. SIIC Shanghai is therefore a connected person of the Company under the Listing Rules.

Interest to be acquired

Pursuant to the Equity Transfer Agreement, the Company will through SI Properties Development acquire from the Vendor the Subject Shares. The Subject Shares represent the entire direct interest of the Vendor in SIDC, and represent approximately 63.65% of the issued share capital of SIDC, as

at the date of this announcement.

As a strategic foreign investor, SI Properties Development is subject to the relevant provisions of the Ministry of Commerce and is required to undertake not to dispose of the Subject Shares for a period of 3 years from the Completion Date.

Information on SIDC

SIDC is a joint stock limited liability company established under the laws of the PRC. SIDC A Shares are listed on the Shanghai Stock Exchange (stock code: 600748) in September 1996. SIDC and its subsidiaries are principally engaged in the business of property development, property investment and management.

Set out below are the audited consolidated profit before and after taxation and minority interests of SIDC for the two years ended 31 December 2009:

	For the financial year ended 31 December	
	2009	2008
	<i>RMB</i>	<i>RMB</i>
Consolidated profit before taxation and minority interests	368,247,000 (equivalent to approximately HK\$418,272,000)	561,064,000 (equivalent to approximately HK\$637,283,000)
Consolidated profit after taxation and minority interests	244,500,000 (equivalent to approximately HK\$277,715,000)	363,325,000 (equivalent to approximately HK\$412,682,000)

The audited consolidated net asset value of SIDC as at 31 December 2009 was approximately RMB2,525,236,000 (equivalent to approximately HK\$2,868,283,000).

As part of the Subject Shares were acquired by the Vendor in consideration of the Vendor injecting its assets into SIDC, taking into account the then fair value of the assets injected as appraised by independent valuers for the purpose of the acquisition of such part of the Subject Shares (which is higher than the then carrying cost of such assets) in the books of the Vendor) as well as the transaction costs incurred by the Vendor in connection with such acquisition; and the carrying cost of the remaining part of the Subject Shares, the aggregate cost of the Subject Shares to the Vendor amounted to approximately RMB4,564,927,000 (equivalent to approximately HK\$5,185,060,000).

Consideration

The Consideration was determined at RMB7.44 (equivalent to approximately HK\$8.45) per Subject Share, which represents 90% of the arithmetic mean of the daily weighted average price of the SIDC A Shares quoted on the Shanghai Stock Exchange in the 30 trading days preceding the date of

signing of the Equity Transfer Agreement and approximately 56.4% discount to the proforma asset value per SIDC A Share as at 31 December 2009 of approximately RMB17.07 (equivalent to approximately HK\$19.39) estimated with reference to the market value of the properties held by SIDC as at 30 June 2010 as valued by DTZ Debenham Tie Leung Limited, an independent valuer, based on the direct comparison method and where appropriate, investment method. Based on the aforesaid consideration per Subject Share and a total of 689,566,049 SIDC A Shares, the Consideration amounted to RMB5,130,371,404.56 (equivalent to approximately HK\$5,827,319,000). The aforesaid amount of Consideration is subject to the final determination by the State-owned Assets Administration Department.

The consideration per Subject Share and the number of Subject Shares mentioned above may be adjusted pursuant to any event of exclusion of dividends or rights such as dividend declaration, bonus shares issue and capitalization issue etc. during the Interim Period. In the event that SIDC shall declare dividend or bonus or carry out any other event of exclusion of dividends during the Interim Period, the Vendor shall pay the amount of dividends attributable to the Subject Shares to the Company and SI Properties Development after the Completion Date in such manner to be separately agreed between the parties to the Equity Transfer Agreement. In the event that SIDC shall make bonus shares issue, capitalization issue etc. during the Interim Period, the number of Subject Shares under the Equity Transfer Agreement will be adjusted such that the Subject Shares to be transferred pursuant to the Equity Transfer Agreement shall be all the SIDC A Shares held by the Vendor after such event. The amount of Consideration, however, will not be adjusted pursuant to any of the aforesaid events.

The Consideration will be funded by internal resources and/or bank financing.

Within 5 business days after the date of execution of the Equity Transfer Agreement, the Company and SI Properties Development shall procure their bank in the PRC to issue a bank guarantee in favour of the Vendor guaranteeing the payment of the Consideration to the Vendor under the Equity Transfer Agreement. The amount covered by the bank guarantee shall be 30% of the amount of the Consideration.

Within 10 business days after the date on which all the conditions mentioned in paragraphs (a) to (h) below have been satisfied, the Company and SI Properties Development shall pay the Consideration in full (i) in Hong Kong dollars or United States dollars at the Agreed Exchange Rate; or (ii) with the approval of the relevant PRC department for administration of foreign exchange, in RMB by using RMB generated from investment in or outside the PRC by the Company and/or SI Properties Development and on the same date, the Vendor shall return the bank guarantee mentioned above to the Company or SI Properties Development as directed by SI Properties Development.

In the event that the Equity Transfer Agreement is terminated in accordance with its terms, the Vendor shall return the bank guarantee and forthwith refund the Consideration already paid to the Vendor to the Company and SI Properties Development.

Conditions

The Acquisition will become effective after the Equity Transfer Agreement has been executed by the parties thereto and the following conditions (the “**Conditions**”) have been satisfied:

- (a) obtaining the approval of the transfer of the Subject Shares in accordance with the Equity Transfer Agreement from the respective boards of directors of SIIC Shanghai, SIDC, the Company and SI Properties Development;
- (b) obtaining the approval from the State-owned Assets Administration Department to waive the information disclosure obligations of SIIC Shanghai in relation to its proposed transfer of the Subject Shares pursuant to the Equity Transfer Agreement;
- (c) the Vendor providing relevant information for and facilitating a due diligence investigation in connection with the Acquisition by the Company and SI Properties Development, and the Company and SI Properties Development having completed the due diligence investigation and being satisfied with the results thereof;
- (d) the passing of a resolution at a shareholders’ meeting of SIDC approving the transfer of the Subject Shares in accordance with the Equity Transfer Agreement;
- (e) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the relevant requirements of the Listing Rules;
- (f) obtaining the relevant approvals in respect of the transfer of the Subject Shares in accordance with the Equity Transfer Agreement from the State-owned Assets Supervision and Administration Commission of the State Council in accordance with “Interim Measures for transfer of shareholdings in listed companies by state-owned shareholders*” (《國有股東轉讓所持上市公司股份管理暫行辦法》) and other relevant laws and regulations in relation to state-owned asset administration (including the amendments to such provisions after the date of execution of the Equity Transfer Agreement (if applicable));
- (g) obtaining approval in respect of the strategic investment in SIDC by the Company and SI Properties Development from the Ministry of Commerce of the PRC in accordance with “Measures for Strategic Investment by Foreign Investors in listed companies*” (《外國投資者對上市公司戰略投資管理辦法》) and “Provisions on merger and acquisition of domestic enterprises by foreign investors*” (《關於外國投資者併購境內企業的規定》) and other relevant laws and regulations in relation to administration of foreign investment (including the amendments to such provisions after the date of execution of the Equity Transfer Agreement (if applicable)); and

- (h) the China Securities Regulatory Commission reviewing and agreeing with the “acquisition report*” (《收购报告书》) compiled by the Company or SI Properties Development in respect of the acquisition of the Subject Shares in accordance with the Equity Transfer Agreement and waiving the obligations of the Company or SI Properties Development and parties acting in concert with them to make a general offer to other shareholders of SIDC.

Pursuant to the Equity Transfer Agreement, no additional terms, conditions and restrictions preventing the transfer of the Subject Shares under the Equity Transfer Agreement or imposing material adverse impact on the operation of SIDC after such transfer should be attached to the approvals and waivers mentioned in paragraphs (a) to (h) above.

The parties to the Equity Transfer Agreement shall use their respective best endeavours to obtain the approvals and waivers as mentioned in paragraphs (f) to (h) above within the Permitted Period.

As at the date of this announcement, the conditions mentioned in paragraphs (a) and (b) have been fulfilled.

Termination

In the event that the conditions mentioned in paragraphs (f) to (h) above are not satisfied within the Permitted Period through no fault on any of the parties to the Equity Transfer Agreement, the parties to the Agreement may terminate the Equity Transfer Agreement by agreement in writing. The Equity Transfer Agreement may also be terminated by written agreement between the parties thereto under the following circumstances: (a) there is new requirement pursuant to or changes to applicable laws and regulations resulting in the Equity Transfer Agreement not in compliance with laws and regulations and the parties to the Equity Transfer Agreement are unable to reach a consensus on the amendments required to be made to the Equity Transfer Agreement pursuant to the new laws and regulations; or (b) the occurrence of any force majeure event during the period between the signing of the Equity Transfer Agreement and Completion Date which results in the transfer of Subject Shares in accordance with the Equity Transfer Agreement being impossible.

If the Equity Transfer Agreement is terminated on the occurrence of any of the circumstances mentioned above, no party to the Equity Transfer Agreement shall have any liability to the other party, all or any rights and obligations under the Equity Transfer Agreement shall also lapse and the relevant provisions under the Equity Transfer Agreement shall cease to be binding on the parties (save in respect of, inter alia, the requirements on the Vendor to return the bank guarantee and refund the Consideration already paid to the Vendor to the Company or SI Properties Development, and any liabilities accrued as a result of any antecedent breaches).

Completion

Within 10 business days after the full payment of Consideration to the Vendor, the Vendor, the Company and SI Properties Development shall make applications to the Shanghai Stock Exchange and the China Securities Depository and Clearing Limited, Shanghai Branch for completing the

transfer and registration procedures for the transfer of the Subject Shares. Completion shall take place on the Completion Date when the registration procedures in respect of the transfer of the Subject Shares have been completed.

With effect from the Completion Date, all the Subject Shares owned by and rights enjoyed by the Vendor as a shareholder of SIDC in accordance with the Company Law of the PRC and the articles of association of SIDC shall belong to SI Properties Development, who will be entitled to all the rights attached to the Subject Shares and subject to the corresponding obligations.

Profits and losses during the Interim Period

The profits or losses of SIDC during the Interim Period attributable to the Subject Shares shall belong to or be borne by the Company and SI Properties Development.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of its acquisition of substantial interest in Neo-China in June this year, the Company further seeks opportunities for expansion by acquiring a controlling stake in SIDC, an A-share company listed in the Shanghai Stock Exchange, from its parent company. Through the Acquisition, the Group would be able to rapidly expand the scope of its investment and strengthen the earning base of its real estate business. When taking into account the land resources of Neo-China and SIDC, the Group will be able to own a planned gross floor area of 22,180,000 square meters land reserve, ranking the top 10 in the PRC real estate industry.

In addition, potential intra-group competition with its parent group will much be eliminated. Also, if the Vendor obtains the construction land use right of the Chongming Island, the Vendor and its member companies will not engage in the development of such land, while SIDC will have such priority. Accordingly, the Company can indirectly obtain the pre-emptive right of SIDC for developing such land project, thereby pursuing opportunities for injection of quality assets to the Group.

Upon completion of the Acquisition, the Group will own two listed platforms in both the PRC and Hong Kong and will be able to fully capitalize on its funding capabilities, which enables the Company to devise further strategic investment plans for the real estate segment. The Group will continue to consolidate its real estate investment and strive to develop itself into one of the most competitive integrated conglomerate in the real estate industry in the PRC, so as to achieve leaping development in the real estate business.

The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the independent financial adviser) consider that the Acquisition is fair and reasonable and on normal commercial terms and that the Acquisition is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

SIIC, the controlling Shareholder, is authorized to operate SIIC Shanghai, a state-owned enterprise,

and SIIC exercises the authority as the state-owned shareholder (國有股東) of SIIC Shanghai. As such, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are not less than 5% and the Consideration is not less than HK\$10,000,000, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are not less than 5% but are less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder. The votes at the EGM shall be taken by poll. As SIIC has a material interest in the Acquisition and the transactions contemplated under the Equity Transfer Agreement by reason of it being the state-owned shareholder of the Vendor, SIIC and its associates shall abstain from voting on the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Acquisition and KBC Bank N.V. Hong Kong Branch has been appointed as the independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, amongst other things, details of the Acquisition and the Equity Transfer Agreement, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders, the notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders. The circular is currently expected to be despatched to the Shareholders on or before 3 September 2010.

GENERAL

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

SIIC Shanghai is principally engaged in the business of investment holding.

DEFINITIONS

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

Terms	Meaning
“Acquisition”	the acquisition of the Subject Shares by the Company through SI Properties Development from SIIC Shanghai pursuant to the Equity Transfer Agreement
“Agreed Exchange Rate”	the median rate of exchange of HK\$/US\$ (as the case may be) to RMB as announced by the People’s Bank of China on the date of payment of the relevant amount
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the date on which the transfer and registration procedures with China Securities Depository and Clearing Limited, Shanghai Branch in respect of the transfer of the Subject Shares are completed
“Consideration”	the consideration payable for the Subject Shares
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the conditional agreement dated 16 August 2010 entered into between the Vendor, the Company and SI Properties Development in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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”	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Acquisition and the Equity Transfer Agreement

“Interim Period”	the period from the date of the execution of the Equity Transfer Agreement up to the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neo-China”	Neo-China Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 563)
“Permitted Period”	the 18-month period commencing on (i) the date of the shareholders’ meeting of SIDC at which the transfer of the Subject Shares pursuant to the Equity Transfer Agreement is approved; or (ii) the date of the EGM at which the transfer of the Subject Shares pursuant to the Equity Transfer Agreement is approved (whichever is later) or 31 March 2012 (whichever is earlier), as mentioned in the paragraph headed “Conditions” above
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company
“SIDC”	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a joint stock limited liability company established under the laws of the PRC which is directly held as to 63.65% by the Vendor and is listed on A Shares Market of the Shanghai Stock Exchange (stock code: 600748)
“SIDC A Shares”	the RMB-denominated domestic A shares of SIDC
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling Shareholder of the Company
“SIIC Shanghai”	上海上實(集團)有限公司 (SIIC Shanghai (Holding) Co., Ltd.), a company incorporated in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder’s right over it
“SI Properties Development”	S.I. Properties Development Limited (上實地產發展有限公司), a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company

“State-owned Assets Administration Department”	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Shares”	689,566,049 SIDC A Shares, representing approximately 63.65% of the issued share capital of SIDC, subject to adjustment mentioned in the paragraph headed “Consideration” above
“Vendor”	SIIC Shanghai
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8804 = HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 16 August 2010

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. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi

Independent Non-Executive Directors:

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

** The English name is an informal English translation of its official Chinese name.*