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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

PROPOSED ISSUE OF HK\$3,900,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2018

JOINT BOOKRUNNERS

in alphabetical order

BofA Merrill Lynch

Deutsche Bank 

**Goldman
Sachs**

PROPOSED CONVERTIBLE BONDS ISSUE

The Board is pleased to announce that (i) the Company as issuer of the Conversion Shares and guarantor for payment of all sums payable in relation to the Convertible Bonds, (ii) the Bond Issuer (a wholly owned subsidiary of the Company) as issuer of the Convertible Bonds, and (iii) the Managers entered into the Subscription Agreement on 16 January 2013.

The Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing securities outside the United States in reliance upon Regulation S of the Securities Act. None of the Convertible Bonds will be offered to the retail public in Hong Kong.

The initial Conversion Price will be HK\$36.34 per Share. Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into approximately 107,319,758 Shares, representing:

- approximately 9.9% of the issued share capital of the Company as at the date of this announcement; and
- approximately 9.0% of the enlarged issued share capital of the Company after issue of all Conversion Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Convertible Bonds and the Conversion Shares.

ISSUE OF CONVERSION SHARES COVERED UNDER GENERAL MANDATE

The Directors will allot and issue the Conversion Shares pursuant to the authority granted to them in the annual general meeting held on 25 May 2012.

USE OF PROCEEDS

The estimated net proceeds from the Bond Issue, after deduction of commission and expenses, are estimated to be approximately HK\$3,822,000,000. The Company intends to use the net proceeds to fund future capital expenditure and investments in the infrastructure business and for general working capital purposes.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent as set out in that agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” below for further information.

WARNING: As the Subscription Agreement may or may not complete, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

1. INTRODUCTION

The Board is pleased to announce that (i) the Company as issuer of the Conversion Shares and guarantor for payment of all sums payable in relation to the Convertible Bonds, (ii) the Bond Issuer (a wholly owned subsidiary of the Company) as issuer of the Convertible Bonds, and (iii) the Managers entered into the Subscription Agreement on 16 January 2013.

Pursuant to the Subscription Agreement, the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the Convertible Bonds on the Closing Date in an aggregate principal amount of HK\$3,900,000,000.

The Directors will allot and issue the Conversion Shares pursuant to the authority granted to them in the annual general meeting held on 25 May 2012. The estimated net proceeds from the Bond Issue, after deduction of commission and expenses, amount to approximately HK\$3,822,000,000.

2. THE SUBSCRIPTION AGREEMENT

Date

16 January 2013

Parties

1. The Company as issuer of the Conversion Shares and guarantor
2. The Bond Issuer as issuer of the Convertible Bonds
3. BofA Merrill Lynch, Deutsche Bank and Goldman Sachs, as the Managers

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Managers and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and the Bond Issuer or any connected persons of the Company and the Bond Issuer.

Subscription

Subject to the fulfilment of the conditions set out below in the section headed "Conditions Precedent", the Bond Issuer has agreed to issue and the Managers have agreed to subscribe and pay

for or to procure subscribers to subscribe and pay for the Convertible Bonds on the Closing Date in an aggregate principal amount of HK\$3,900,000,000.

The Company has agreed to guarantee payment of all sums payable by the Bond Issuer in relation to the Convertible Bonds.

The Managers have informed the Company that they intend to offer and sell the Convertible Bonds to not fewer than 6 independent placees. The Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. None of the Convertible Bonds will be offered to the retail public in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, such placees and their ultimate beneficial owners are third parties independent of and not connected with the Company or the Bond Issuer or any connected persons of the Company or the Bond Issuer.

Conditions Precedent

The obligations of each of the Managers to subscribe and pay for the Convertible Bonds are subject to, among others, the following conditions precedent:

1. the Managers being satisfied with the results of its due diligence investigations with respect to the Bond Issuer, the Company and the Group for the purposes of the preparation of the Offering Circular, and the Offering Circular having been prepared in form and content satisfactory to the Managers and having been delivered to the Managers;
2. the execution and delivery (on or before the Closing Date) of the Trust Deed and the Agency Agreement, each in a form satisfactory to the Managers, by the respective parties;
3. Shanghai Industrial Investment (Holdings) Company Limited, the controlling shareholder (as defined under the Listing Rules) of the Company, having executed a lock-up agreement on or before the Closing Date;
4. upon the publication date of the Offering Circular and on the Closing Date there having been delivered to the Managers letters, in form and substance satisfactory to the Managers, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of the subsequent letter, and addressed to the Managers from Deloitte Touche Tomatsu, Certified Public Accountants to the Company;
5. after the date of the Subscription Agreement and up to and at the Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Bond Issuer, the Company or of the Group, which, in the opinion of the Managers, is material and adverse in the context of the issue and offering of the Convertible Bonds; and

6. on or before the Closing Date there having been delivered the relevant legal opinions issued by legal advisers to the Managers.

The Managers may, at their discretion and upon such terms as it thinks fit, waive compliance with any of the above conditions, save that the above condition 2 is not waivable.

Termination

The Managers may, by notice to the Bond Issuer and the Company given at any time prior to payment of the net subscription monies for Convertible Bonds to the Bond Issuer and the Company, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Bond Issuer or the Company to perform any of its undertakings or agreements in the Subscription Agreement;
2. if any of the conditions precedent has not been satisfied or waived by the Managers on or prior to the Closing Date;
3. if in the opinion of the Managers, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Bond Issuer on any stock exchange or in any over the counter market) or currency exchange rates or foreign exchange controls such as would in their view, be likely to prejudice materially the success of the offering and distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market;
4. if, in the opinion of the Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Bond Issuer's securities are traded; (ii) a suspension or a material limitation in trading in the Bond Issuer's or the Company's securities on the Stock Exchange and/or any other stock exchange on which the Bond Issuer's or the Company's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Bond Issuer, the Company, the Convertible Bonds and the Shares to be issued upon conversion of the Convertible Bonds or the transfer thereof; and

5. if, in the opinion of the Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the offering and distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market.

Lock-up

Neither the Bond Issuer, the Company nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Convertible Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Convertible Bonds, the Shares or securities of the same class as the Convertible Bonds, the Shares or other instruments representing interests in the Convertible Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between 16 January 2013 and the date which is 90 days after the Closing Date (both dates inclusive); except for the Convertible Bonds and the new Shares issued on conversion of the Convertible Bonds.

Shanghai Industrial Investments (Holdings) Co., Ltd, the controlling shareholder (as defined under the Listing Rules) of the Company, will execute a lock-up agreement on or before the Closing Date containing equivalent terms to the above as described in condition 3 of the section headed “Conditions Precedent” above.

3. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Below are the principal terms of the Convertible Bonds:

Issuer	: The Bond Issuer
Guarantor	: The Company
Principal amount	: The aggregate principal amount of the Convertible Bonds will be HK\$3,900,000,000.
Issue price	: 100.00% of the principal amount of the Convertible Bonds.

- Redemption price** : 105.11% of the principal amount of the Convertible Bonds.
- Interest** : Save for the default interest at the rate of 2.00% per annum, the Convertible Bonds do not bear any interest.
- Fee** : The Company agrees to pay to the Managers a combined management and underwriting commission and selling concession.

The management fee and underwriting commission and selling concession are determined by benchmarking fees charged in prior transactions of a similar nature by the Managers and other investment banks.

The Directors take the view that the aggregate management fee and underwriting commission and selling concession fees and their respective basis of determination are fair and reasonable.

- Conversion period** : Subject to the provisions of the Convertible Bonds and the relevant Bondholder(s) complying with the procedures relating to conversion, Bondholder(s) may exercise conversion rights at any time on or after 1 April 2013 up to the close of business on a date no later than seven days prior to the Maturity Date or, if such Convertible Bond(s) shall have been called for redemption by the Company before the Maturity Date, then up to the close of business on a date no later than seven days prior to the date fixed for redemption thereof.
- Conversion Price** : The initial Conversion Price will be HK\$36.34 per Share, representing (i) a premium of 30.0% over the closing price of the Shares at HK\$27.95, quoted on the Stock Exchange on 16 January 2013 being the last trading day date before the Subscription Agreement was signed, (ii) a premium of 33.1% over the average closing price of the Shares at HK\$27.31 quoted on the Stock Exchange for the last five trading days up to and including 16 January 2013, and (iii) a premium of 31.8% over the average closing price of the Shares at HK\$27.57 quoted on the Stock Exchange for the last ten trading days up to and including 16 January 2013.

Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$36.34 per Share, the Convertible Bonds will be convertible into approximately 107,319,758 Shares, representing approximately 9.9% of the issued share capital of the Company as at the date of this announcement and approximately 9.0% of the enlarged issued share capital of the Company after issue of all Conversion Shares.

The Conversion Price is subject to adjustment for, amongst other things, upon the occurrence of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion and other offers to Shareholders.

Early Redemption Amount	:	A gross yield of 1.00% per annum calculated on a semi-annual basis.
Formation of the Convertible Bonds and denomination	:	The Convertible Bonds will be in registered form and in denominations of HK\$2,000,000 per Convertible Bond and integral multiples in excess of HK\$1,000,000 thereof.
Status of the Convertible Bonds	:	The Convertible Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Bond Issuer and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Bond Issuer under the Convertible Bonds and of the Company under the guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
Status of the Conversion Shares	:	The Conversion Shares to be issued upon conversion of the Convertible Bonds will be fully paid and rank pari passu in all respects with the Shares then in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.
Redemption at the option of the Bondholder	:	The Bond Issuer will at the option of the holder of any Bond, redeem all or some only of such holder's Convertible Bonds on or about 18 February 2016 at their Early Redemption Amount.

- Redemption at the option of the Bond Issuer** : At any time after about 18 February 2016, the Bond Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem the Convertible Bonds in whole and not in part, provided that no such redemption may be made unless the Closing Price of the Shares for 20 out of the 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Early Redemption Amount divided by the Conversion Ratio then in effect. If there shall occur an event giving rise to a change in the conversion price during any such Trading Day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the Closing Price for such days.
- Redemption for taxation reasons** : At any time the Bond Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable) redeem the Convertible Bonds in whole but not in part at their Early Redemption Amount as at the date fixed for redemption, if (i) the Bond Issuer or the Company satisfies the Trustee immediately prior to the giving of such notice that the Bond Issuer or the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 16 January 2013, and (ii) such obligation cannot be avoided by the Bond Issuer (or, as the case may be, the Company) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bond Issuer (or, as the case may be, the Company) would be obliged to pay such additional tax amounts were a payment in respect of the Convertible Bonds then due.
- Redemption for a Change of Control** : Following the occurrence of a Change of Control, the holder of each Convertible Bond will have the right at such holder's option, to require the Bond Issuer to redeem in whole but not in part such holder's Convertible Bonds at their Early Redemption Amount as at the date fixed for redemption.

- Delisting Put Right** : In the event the Shares cease to be listed or admitted to trading or are suspended for trading for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange or any alternative stock exchange each Bondholder shall have the right, at such Bondholder's option, to require the Bond Issuer to redeem all (but not less than all) of such Bondholder's Convertible Bonds.
- Voting Rights** : The Bondholders will not have any right to attend or vote at any meeting of the Bond Issuer by virtue of them being Bondholders, and until and unless they have converted their Convertible Bonds into Shares.
- Negative Pledge** : Neither the Bond Issuer nor the Company will, and, in the case of the Company, it will ensure that none of its principal subsidiaries will, create or have outstanding any encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, or to secure any guarantee or indemnity in respect of any relevant indebtedness, without at the same time or prior thereto according to the Convertible Bonds (i) the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or (ii) such other security as either (a) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (b) shall be approved by an extraordinary resolution of the Bondholders.
- Listing** : Application will be made for the listing of the Convertible Bonds on the Stock Exchange. The Company will also apply to the Stock Exchange for the listing of, and permission, to deal in the Conversion Shares.

4. EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$36.34 per Share, the Convertible Bonds will be convertible into approximately 107,319,758 Shares, representing approximately 9.9% of the issued share capital of the Company as at the date of this announcement and approximately 9.0% of the enlarged issued share capital of the Company after issue of all Conversion Shares.

The table below sets out the Company's shareholding structure as a result of the Bond Issue:

<i>Name of Shareholder</i>	Shareholding as at the date of this announcement		Assuming the Convertible Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$36.34 each	
	<i>Number of Shares</i>	<i>Approximate % of issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approximate % of issued share capital of the Company</i>
Shanghai Industrial Investment (Holdings) Company Limited and its subsidiaries set out in note 1 below	616,560,748	57.1%	616,560,748	51.9%
Bondholders	-	-	107,319,758	9.0%
Other Shareholders	463,856,052	42.9%	463,856,052	39.1%
Total	1,080,416,800	100.0%	1,187,736,558	100.0%

Note: Shanghai Industrial Investment (Holdings) Company Limited through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company, Limited, SIIC Trading Company Limited, Billion More Investments Limited, South Pacific International Trading Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited and SIIC CM Development Limited held 500,573,748 shares, 80,000,000 shares, 17,646,000 shares, 13,685,000 shares, 2,477,000 shares, 1,219,000 shares, 650,000 shares, 300,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

5. USE OF NET PROCEEDS

The estimated net proceeds from the Bond Issue, after deduction of commission and expenses, are estimated to be approximately HK\$3,822,000,000. The Company intends to use the net proceeds to fund future capital expenditure and investments in the infrastructure business and for general working capital purposes.

6. REASONS FOR THE BOND ISSUE

The transactions under the Subscription Agreement and the issue of the Convertible Bonds will provide strong capital support for the development of the Company's key businesses and enhance the Company's market presence and competitiveness, and strengthen the Company's capital basis effectively after the full conversion of the Convertible Bonds.

7. GENERAL MANDATE FOR THE BOND ISSUE

At the annual general meeting of the Company held on 25 May 2012, an ordinary resolution was passed to grant a general and unconditional mandate to the Directors to allot, issue and deal with Shares, not exceeding the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of such annual general meeting, which amounted to 215,993,600 Shares.

The Directors have not exercised the power to allot and issue any new Shares pursuant to the above general mandate. The Conversion Shares will be issued pursuant to this mandate.

8. EQUITY FUND RAISING BY THE COMPANY

The Company did not carry out any equity fund raising activities in the 12 months period immediately before the date of this announcement.

9. PRINCIPAL BUSINESS OF THE GROUP

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

10. APPLICATION FOR LISTING

Application will be made for the listing of the Convertible Bonds on the Stock Exchange. The Company will also apply to the Stock Exchange for the listing of, and permission, to deal in the Conversion Shares.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent as set out in that agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” above for further information.

WARNING: As the Subscription Agreement may or may not complete, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

11. DEFINITIONS

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

“Agency Agreement”	a paying and conversion agency agreement to be entered into between the Bond Issuer, the Company, the Trustee and the paying agents
“BofA Merrill Lynch”	Merrill Lynch Far East Limited
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds from time to time
“Bond Issue”	the subscription and issue of the Convertible Bonds pursuant to the Subscription Agreement
“Bond Issuer”	Tong Jie Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and which is a wholly owned subsidiary of the Company
“Closing Date”	the date (expected to be on 18 February 2013 or such other date as the Company and the Managers may agree) on which the Convertible Bonds are issued
“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and whose Shares and American Depositary Shares are listed on the Stock Exchange and the New York Stock Exchange, respectively
“connected person”	has the meaning given to it in the Listing Rules
“Conversion Price”	the price per Share at which the Shares will be issued upon conversion and the initial conversion price being HK\$36.34 per Share (subject to adjustment)
“Conversion Shares”	means Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds
“Directors”	the directors of the Company

“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance, and a licensed bank under the Banking Ordinance (Chapter 155 of the laws of Hong Kong)
“Group”	the Company and its subsidiaries
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C.
“Joint Bookrunners” or “Managers”	BofA Merrill Lynch, Deutsche Bank and Goldman Sachs
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	On or about 18 February 2018
“Offering Circular”	the circular in connection with the offering of the Convertible Bonds, to be issued no later than three business days prior to the Closing Date or such other date as may be agreed between the Bond Issuer, the Company and the Managers
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Securities Act”	The US Securities Act of 1933 (as amended)
“Shareholders”	the shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement entered into between the Bond Issuer, the Company and the Managers dated 16 January 2013 in connection with the issue and subscription of the Convertible Bonds
“Trading Day”	a day on which the Stock Exchange is open for dealing business
“Trustee”	The Bank of New York Mellon, London Branch

“Trust Deed”

the trust deed to be entered into by the Company and the Trustee

By order of the Board
Shanghai Industrial Holdings Limited
Yee Foo Hei
Company Secretary

Hong Kong, 16 January 2013

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Teng Yi Long, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo and Mr. Qian Yi

Independent Non-Executive Directors:

*Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and
Mr. Cheng Hoi Chuen, Vincent*