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(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

**ISSUE OF NEW A SHARES
BY
SHANGHAI INDUSTRIAL PHARMACEUTICAL INVESTMENT CO., LTD.
AND
DISCLOSEABLE TRANSACTION
TRANSFER OF ASSETS TO
SHANGHAI INDUSTRIAL PHARMACEUTICAL INVESTMENT CO., LTD.

LAPSE OF SHAREHOLDERS' APPROVAL OF SHANGHAI INDUSTRIAL
PHARMACEUTICAL INVESTMENT CO., LTD.**

The subscription by SIIC MedTech for 46,770,000 A Shares of SI Pharmaceutical and the transfer of equity interest in certain pharmaceutical companies of the Group to SI Pharmaceutical and/or its subsidiaries pursuant to the agreement dated 15th May 2007 entered into by the Company, SI Pharmaceutical and SIIC MedTech will not proceed due to certain PRC regulatory approvals not having been obtained by 6th September 2008, that is, the date on which the approval by the shareholders of SI Pharmaceutical in general meeting obtained on 6th September 2007 lapsed. Accordingly, the Subscription and the Transfers will not proceed.

Reference is made to the announcement by the Company dated 15th May 2007 (the "Announcement"), the circular of the Company dated 27th June 2007 and the supplemental announcement of the Company dated 21st August 2007 regarding the Agreement entered into by the Company, SI Pharmaceutical and SIIC MedTech for the subscription by SIIC MedTech for 46,770,000 A Shares and the transfer of the equity interests held by wholly-owned subsidiaries of the Company in CT Qingchunbao, Huqingyutang Pharmaceutical, Xiamen TCM, Liaoning Herbapex and Huqintyutang Drugstore to SI Pharmaceutical and/or its subsidiaries. Capitalised terms used in this announcement shall have the same meaning as defined in the Announcement.

While SI Pharmaceutical had paid effort to obtain the approvals and consents to which the Subscription and the Transfers are subject, certain PRC regulatory approvals have not been obtained by 6th September 2008, that is, the date on which the approval by the shareholders of SI Pharmaceutical in general meeting obtained on 6th September 2007 lapsed, and therefore certain conditions set out in the Agreement cannot be fulfilled.

Accordingly, the Subscription and the Transfers will not proceed and the effect of the Subscription and the Transfers on the net assets value and earnings to the Group as detailed in the circular of the Company dated 27th June 2007 will not be materialized.

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

Hong Kong, 9th September 2008

As at the date of this announcement, the Board of the Company 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. Tang Jun

Independent Non-Executive Directors:

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