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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **CONNECTED TRANSACTION IN RELATION TO CORNERSTONE INVESTMENT AGREEMENT**

### **THE CORNERSTONE INVESTMENT**

The Board announces that on 19 June 2018, the Investor, a wholly-owned subsidiary of the Company, entered into the Cornerstone Investment Agreement with CIRC, CICC and CLSA, pursuant to which the Investor has conditionally agreed to purchase the Investor Shares at the Offer Price, as part of the International Offering. It is expected that the consideration payable by the Investor under the Cornerstone Investment Agreement for the Investor Shares (excluding brokerage, transaction levies and trading fees) will not exceed approximately RMB430,000,000.

### **LISTING RULES IMPLICATIONS**

Each of the Investor and SP (HK) participates in the International Offering as a cornerstone investor by entering into a separate cornerstone investment agreement with CIRC, CICC and CLSA on similar terms on the same date. As at the date of this announcement, SP (HK) is a wholly-owned subsidiary of Shanghai Pharmaceuticals and Shanghai Pharmaceuticals is a subsidiary of SIIC (being the controlling shareholder of the Company). As such, SP (HK) is an associate of SIIC and a connected person of the Company. Accordingly, the entering into of the Cornerstone Investment Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the transaction under the Cornerstone Investment Agreement are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 19 June 2018, the Investor, a wholly-owned subsidiary of the Company, entered into the Cornerstone Investment Agreement with CIRC, CICC and CLSA, pursuant to which the Investor has conditionally agreed to purchase the Investor Shares at the Offer Price as part of the International Offering.

## **THE CORNERSTONE INVESTMENT AGREEMENT**

The principal terms of the Cornerstone Investment Agreement are as follows:

### **Date:**

19 June 2018

### **Parties:**

- (1) the Investor;
- (2) CIRC;
- (3) CICC; and
- (4) CLSA.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of CIRC, CICC and CLSA and their respective ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

### **The Cornerstone Investment**

On and subject to the terms and conditions set out in the Cornerstone Investment Agreement, the Investor will:

- (a) purchase, and CIRC will allot, and CIRC and the Joint Global Coordinators will cause to be delivered to the Investor, the Investor Shares at the Offer Price as part of the International Offering; and
- (b) pay the Aggregate Subscription Price and the related brokerage, transaction levies and trading fees in cash in respect of the Investor Shares on the Listing Date.

The Investor Shares shall, when delivered, be free from all options, liens, charges, mortgages, pledges, claims, equities, encumbrances and other third party rights and shall rank pari passu with the other CIRC H Shares then in issue and to be listed on the Stock Exchange.

CIRC is seeking a listing on the Main Board of the Stock Exchange. CIRC has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the CIRC H Shares including the Investor Shares.

### **Subject matter**

The Investor will subscribe for such number of the CIRC H Shares as may be purchased for an amount up to approximately RMB430,000,000 (excluding brokerage, transaction levies and trading fees) at the Offer Price, which will be determined by the Joint Global Coordinators (on behalf of themselves and the underwriters of the Global Offering) and CIRC in such manner as they may agree.

### **Consideration and payment**

The aggregate consideration payable by the Investor under the Cornerstone Investment Agreement comprises (i) the Aggregate Subscription Price in respect of the Investor Shares, being (1) the number of the Investor Shares multiply by (2) the Offer Price; and (ii) the related brokerage, transaction levies and trading fees in respect of the Investor Shares. It is expected that the consideration payable by the Investor under the Cornerstone Investment Agreement for the Investor Shares (excluding brokerage, transaction levies and trading fees) will not exceed approximately RMB430,000,000.

The consideration was determined after arm's length negotiations between the parties to the Cornerstone Investment Agreement taking into account the financial information and the business prospects of CIRC. The Board intends to finance the payment of the consideration by the Group's internal financial resources.

### **Conditions precedent**

The Investor's obligation to purchase, and CIRC's obligation to allot, and CIRC's and the Joint Global Coordinators' obligation to cause to be delivered the Investor Shares under the Cornerstone Investment Agreement are conditional only upon each of the following conditions having been satisfied or waived:

- (a) the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Offering being entered into by, inter alia, CIRC and the Joint Global Coordinators and having become unconditional and all of the conditions precedent to completion set forth therein having been satisfied (or waived) by no later than the time and date as specified in those underwriting agreements and not having been terminated;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the CIRC H Shares (including the Investor Shares) and such approval or permission having not been revoked prior to the commencement of dealings in the CIRC H Shares on the Stock Exchange;

- (c) the respective representations, warranties, undertakings and acknowledgements of the Investor in the Cornerstone Investment Agreement are (as of the date thereof) and will be (as of the Closing) accurate and true in all material respects and not misleading in any material respect and there being no material breach of the Cornerstone Investment Agreement on the part of the Investor; and
- (d) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there being no orders or injunctions from a governmental authority which in effect precludes or prohibits the consummation of such transactions.

In the event that the aforesaid conditions have not been fulfilled or waived by the parties to the Cornerstone Investment Agreement (except that the condition (b) cannot be waived, and that the condition (c) can only be waived by CIRC and the Joint Global Coordinators) within 3 months from the date of signing of the Cornerstone Investment Agreement by 8 a.m. (or such other time and/or date as may be agreed among the parties), the Cornerstone Investment Agreement will terminate and be of no effect and any amount paid by the Investor to CIRC and the Joint Global Coordinators thereunder will be repaid to the Investor without interest, provided that termination of the Cornerstone Investment Agreement pursuant to the aforesaid shall be without prejudice to the accrued rights or liabilities of any party to the other parties in respect of the terms therein at or before such termination.

### **Restrictions on disposal**

Pursuant to the Cornerstone Investment Agreement, the Investor will not, among other things, at any time during the period of six months from the Listing Date, directly or indirectly, dispose of any of the Investor Shares (including any CIRC H Shares or other securities of CIRC deriving from the Investor Shares or any interest therein).

### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

CIRC is a leading enterprise in the field of isotopes and irradiation technology applications in China. With its comprehensive product portfolio and industry-leading technologies, nationwide sales network and diversified marketing initiatives, a robust pipeline of products candidates supported by strong research and development capabilities, and experienced and visionary senior management team, CIRC is well positioned to capture the attractive growth potential in the PRC isotopes and irradiation technology industries.

Apart from bringing economic benefits to the Group, the Cornerstone Investment provides the Group an opportunity to participate in the industry and helps the Group develop its potential in the field with a stable growth, thereby enabling the Group to consider having strategic cooperation with CIRC in future.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Cornerstone Investment Agreement are on normal commercial terms that are fair and reasonable, and the Cornerstone Investment is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Each of the Investor and SP (HK) participates in the International Offering as a cornerstone investor by entering into a separate cornerstone investment agreement with CIRC, CICC and CLSA on similar terms on the same date. As at the date of this announcement, SP (HK) is a wholly-owned subsidiary of Shanghai Pharmaceuticals and Shanghai Pharmaceuticals is a subsidiary of SIIC (being the controlling shareholder of the Company). As such, SP (HK) is an associate of SIIC and a connected person of the Company. Accordingly, the entering into of the Cornerstone Investment Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the transaction under the Cornerstone Investment Agreement are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Cornerstone Investment and thus no Director was required to abstain from voting on the Board resolutions approving the Cornerstone Investment Agreement and the transactions contemplated thereunder. However, Mr. Shen Xiao Chu, an executive director and the chairman of SIIC, Mr. Zhou Jun, an executive director and the president of SIIC, Mr. Xu Bo, an executive director and a vice president of SIIC, have voluntarily abstained from voting on the Board resolution approving the Cornerstone Investment Agreement and the transactions contemplated thereunder.

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products. The Investor is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and is an investment holding company.

CIRC is a joint stock company incorporated in the PRC with limited liability. CIRC and its subsidiaries are principally engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radiopharmaceuticals and radioactive source products for medical and industrial applications. It also provides irradiation service for sterilization purpose and EPC (i.e. engineering, procurement and construction) service for the design, manufacturing and installation of gamma ray irradiation facilities. In addition, it provides independent clinical laboratory services to hospitals and other medical institutions.

Set out below is a summary of the audited financial information of CIRC for the years ended 31 December 2016 and 2017:

	<b>For the year ended 31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>RMB in million</i>	<i>RMB in million</i>
Net profit before taxation and extraordinary items	513	558
Net profit after taxation and extraordinary items	435	476

The audited consolidated net assets of CIRC as at 31 December 2017 was approximately RMB2,446 million.

CICC is principally engaged in business of investment banking and securities brokerage.

CLSA is principally engaged in corporate finance and institutional brokerage.

Shanghai Pharmaceuticals is headquartered in Shanghai and is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. Its business mainly covers three segments, namely, pharmaceutical industry, pharmaceutical distribution and pharmaceutical retail.

SP (HK) is principally engaged in overseas mergers and acquisitions and equity investment.

**The Closing is subject to the terms and conditions of the Cornerstone Investment Agreement and therefore may or may not materialise. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“Aggregate Subscription Price”	the amount equal to the Offer Price multiplied by the number of Investor Shares to be purchased by the Investor pursuant to the Cornerstone Investment Agreement
“associate”, “connected person”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company

“business day”	any day (other than Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for normal banking business and on which the Stock Exchange is open for business of dealing in securities
“CICC”	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)
“CIRC”	China Isotope & Radiation Corporation (中國同輻股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability
“CIRC H Shares”	the overseas foreign shares in the share capital of CIRC of RMB1.00 each in nominal value, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Main Board of the Stock Exchange
“Closing”	the closing of the subscription for the Investor Shares in accordance with the terms and conditions of the Cornerstone Investment Agreement
“CLSA”	CLSA Limited (中信里昂證券有限公司)
“Company”	Shanghai Industrial Holdings Limited (上海實業股份有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Cornerstone Investment”	the proposed subscription of the Investor Shares by the Investor pursuant to the Cornerstone Investment Agreement
“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 19 June 2018 entered into among the Investor, CIRC, CICC and CLSA in relation to the Cornerstone Investment
“Director(s)”	directors of the Company
“Global Offering”	a proposed global offering comprising the Hong Kong Public Offering and the International Offering
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offering”	a proposed offer for subscription for the CIRC H Shares by the public in Hong Kong

“International Offering”	a proposed conditional placing of the CIRC H Shares outside the United States in reliance on Regulation S or any other available exemption from registration under the Securities Act
“Investor”	Sure Advance Holdings Limited (通程控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Investor Shares”	such number of the CIRC H Shares offered by CIRC to the Investor in the International Offering pursuant to the Cornerstone Investment Agreement
“Joint Global Coordinators”	the joint global coordinators of the Global Offering, consisting of CICC and CLSA
“Listing Date”	the date on which the CIRC H Shares are first listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Price”	the final Hong Kong dollar price per CIRC H Share (exclusive of applicable brokerage, transaction levies and trading fees) at which the CIRC H Shares are to be offered pursuant to the Global Offering
“PRC”	the People’s Republic of China (for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Regulation S”	Regulation S under the Securities Act
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Act”	the United States Securities Act of 1933, and the rules and regulations promulgated thereunder
“Shareholder(s)”	holder(s) of the share(s) in the 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 the controlling shareholder of the Company



“Shanghai Pharmaceuticals”	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of the Stock Exchange with stock code 02607)
“SP (HK)”	Shanghai Pharmaceuticals (HK) Investment Limited (上海醫藥(香港)投資有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of SP Holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*\*For identification purposes only.*

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

Hong Kong, 19 June 2018

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

*Executive Directors:*

*Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan*

*Independent Non-Executive Directors:*

*Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis*