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## **CHINA ISOTOPE & RADIATION CORPORATION**

**中國同輻股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1763)**

### **REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the section of “Connected Transactions – Non-exempt Continuing Connected Transactions” in the prospectus in connection with, inter alia, the Purchase Agreement, and the announcement dated 29 March 2019 in relation to, among the others, the revision of annual caps of non-exempt continuing connected transactions.

#### **REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS**

In view of the expected increase in the business volume of the Group in 2019, the Group will make reference that the original annual caps for relevant year under the Purchase Agreement will not be sufficient to meet the business development requirements of the Group. The Board has passed a resolution on 23 December 2019 to revise the annual caps of continuing connected transactions for the year ended 31 December 2019 under the Purchase Agreement. The annual caps for 2019 under the Purchase Agreement has been revised from RMB111,200,000 to RMB161,200,000. The Directors, including the independent non-executive Directors, are of the view that the proposed transactions under the Purchase Agreement are in the ordinary and usual business of the Group, entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

#### **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, approximately 73.83% of our total issued share capital is held by CNNC, being our controlling shareholder, directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. As such, CNNC and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, transactions under the Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps for the year ended 31 December 2019 under the Purchase Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. INTRODUCTION

Reference is made to the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions” in the prospectus of China Isotope & Radiation Corporation (the “**Company**”) dated 22 June 2018 (the “**Prospectus**”) in relation to the Products and Services Purchase Framework Agreement with CNNC dated 16 June 2018 (the “**Purchase Agreement**”), and the announcement dated 29 March 2019 in relation to, among the others, the revision of annual caps of non-exempt continuing connected transactions. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

In relation to the transactions under the Purchase Agreement, the table below sets out (i) the historical transaction amounts for the year ended 31 December 2018, (ii) the original annual caps for the year ended 31 December 2019, and (iii) the proposed annual caps for the year ended 31 December 2019.

*Unit: RMB'000*

Historical transaction amount for the year ended 2018	Year ended 31 December 2019	
	Original annual cap	Proposed annual cap
85,547	111,200	161,200

## 2. REVISION OF THE ANNUAL CAPS OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE PURCHASE AGREEMENT

In view of the expected increase in the business volume of the Group in 2019, the Group will make reference that the original annual caps for relevant year under the Purchase Agreement will not be sufficient to meet the business development requirements of the Group. The Board has passed a resolution on 23 December 2019 to revise the annual caps of continuing connected transactions for the year ended 31 December 2019 under the Purchase Agreement.

### The Purchase Agreement

**Parties:** The Company (the purchaser); and

CNNC (the supplier).

**Principal Terms:** The Company entered into a products and services purchase framework agreement with CNNC on 16 June 2018, pursuant to which CNNC and/or its associates would provide the Group: (i) various types of raw and auxiliary materials, production equipment and other products; (ii) transportation containers (including related design and manufacturing services); (iii) technical testing services; (iv) encapsulation and processing services of cobalt-60 radioactive sources; and (v) scientific research services related to high-end irradiation research and development.

**Term:** Effective from the Listing Date and ending on 31 December 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction:** Historically, CNNC and/or its associates have been the suppliers of raw and auxiliary materials, production equipment, technical testing, and irradiation services to the Group in its ordinary course of business. CNNC has a leading position in the field of nuclear materials processing, the production of nuclear production equipment, nuclear technology testing and irradiation research and development. As a result of the long-term cooperation between our Group and CNNC and/or its associates in this regard, CNNC and/or its associates have accumulated knowledge and understanding in our business needs for the products and services. Therefore, our Directors are of the view that it is efficient for us to continue such transactions with CNNC and/or its associates and it is in the best interest of the Company and the Shareholders as a whole.

**Pricing Policy:** We will determine the purchase prices by taking into account the following factors:

- The costs for relevant products and services, including labor costs and material costs.
- The Group will regularly contact its suppliers (including CNNC and/or its associates and independent suppliers) to understand the market conditions.
- The Group will organise public tendering process in relation to significant purchase orders in accordance with our internal tendering rules and will determine the final price based on the results of such process.

#### **Reasons for revising the annual cap**

Taking into account that the scientific research project of cobalt-60 for medical applications will be concluded before 31 December 2019, the Group will pay certain expenses to CNNC and/or its associates. Therefore, the original annual caps will not be sufficient to meet the business development requirements.

#### **Internal control system for continuing connected transactions under the Purchase Agreement**

The Company has established (1) the reporting, approval and, if necessary, selection & verification procedures, to ensure that the agreed prices and terms of the continuing connected transactions are no less favourable than those that may be granted by relevant members of the Group or by (if applicable) independent third parties, and are in compliance with the pricing policies; and (2) the procedures and policies for the purpose of identifying the connected persons and monitoring the annual caps of continuing connected transactions.

## **Reasons for and benefits of the transactions**

The products and services provided by CNNC and/or its subsidiaries are carried out in the ordinary and usual course of business of the Group. It is expected that the Group will obtain a stable supply of raw materials and services required for production and operation, which will benefit the Group's business development.

The Directors, including the independent non-executive Directors, are of the view that the proposed transactions under the Purchase Agreement are in the ordinary and usual business of the Group, entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **3. GENERAL INFORMATION**

### **The Company**

The Company and its subsidiaries are primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radio pharmaceuticals and radioactive source products for medical and industrial applications. We also provide irradiation services for sterilisation purpose and EPC services for the design, manufacturing and installation of gamma ray irradiation facilities. In addition, we provide independent clinical laboratory services to hospitals and other medical institutions.

### **CNNC**

CNNC was established on 29 June 1999 and is principally engaged in scientific research and development, construction and production operations in nuclear power, nuclear power generation, nuclear fuel, natural uranium, nuclear environmental protection, non-nuclear civilian products, new energy sources, etc.

#### 4. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, approximately 73.83% of our total issued share capital is held by CNNC, being our controlling shareholder, directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. As such, CNNC and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, transactions under the Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps for the year ended 31 December 2019 under the Purchase Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By order of the Board  
**China Isotope & Radiation Corporation**  
**Meng Yanbin**  
*Chairman*

Beijing, the PRC, 23 December 2019

*As at the date of this announcement, the Board comprises Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin as executive directors; Mr. Zhou Liulai, Mr. Chen Shoulei and Mr. Chen Zongyu as non-executive directors; Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai as independent non-executive directors.*