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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions” in the Prospectus in relation to, among others, the Supply Agreement, the Purchase Agreement, the Property & Equipment Leasing and Related Services Framework Agreement, the Carbon-14 Supply Agreement, the Cobalt-60 Supply Agreement and the Consulting Services Fee Framework Agreement. Reference is also made to the announcement issued by the Company on 29 March 2019, in relation to the revision of annual caps for the Supply Agreement, the Purchase Agreement, the Carbon-14 Supply Agreement and the Cobalt-60 Supply Agreement.

RENEWAL OF THE AGREEMENTS

As the Agreements will expire on 31 December 2020, the Company intends to continue the transactions under the Agreements and renew the Agreements for a term of three years. Therefore, the Board of Directors resolved on 30 November 2020 to renew the Agreements.

In respect of the Directors attending the board meeting, connected Directors Mr. Meng Yanbin, Mr. Wu Jian, Mr. Du Jin, Mr. Zhou Liulai and Mr. Chen Shoulei were considered to have material interests by virtue of being employed by CNNC and its associates and had thus abstained from voting on the board resolution(s) in respect of the Agreements.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Agreements are determined after arm's length negotiations on normal commercial terms, the proposed transactions and annual caps thereunder are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNNC is our controlling shareholder, holding 73.83% of our issued share capital directly or indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The Company and CNNC (through one of its subsidiaries) hold 51% and 49% equity interests in CNNC Tongxing, respectively. Therefore, CNNC Tongxing and its associates will constitute connected subsidiaries of the Company pursuant to Chapter 14A.16 of the Listing Rules. The Company and CNNC (through one of its subsidiaries) approximately hold 54.1% and 27.9% equity interests in Headway, respectively. Therefore, Headway is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, while Headway and its subsidiaries are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions under the Agreements are continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the Agreements for the three years ended 31 December 2021, 2022 and 2023 exceed 0.1% but are less than 5%, the transactions contemplated under the Agreements are subject to the reporting, announcement and annual review requirements, but exempted from 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 (the “**Prospectus**”) issued on 22 June 2018 by China Isotope & Radiation Corporation (the “**Company**”), in relation to the products and services supply framework agreement with CNNC (the “**Supply Agreement**”) dated 16 June 2018, the products and services purchase framework agreement with CNNC (the “**Purchase Agreement**”) dated 16 June 2018, the property & equipment leasing and related services framework agreement with CNNC (“**Property & Equipment Leasing and Related Services Framework Agreement**”) dated 16 June 2018, the carbon-14 raw materials supply framework agreement with Headway (the “**Carbon-14 Supply Agreement**”) dated 16 June 2018, the cobalt-60 radioactive sources supply and related services framework agreement with CNNC Tongxing (the “**Cobalt-60 Supply Agreement**”) dated 16 June 2018 and the consulting services fee framework agreement (the “**Consulting Services Fee Framework Agreement**”) with CNNC Tongxing dated 16 June 2018. Reference is also made to the announcement issued by the Company on 29 March 2019, in relation to the revision of annual caps for the Supply Agreement, the Purchase Agreement, the Carbon-14 Supply Agreement and the Cobalt-60 Supply Agreement. The Supply Agreement, the Purchase Agreement, the Property & Equipment Leasing and Related Services Framework Agreement, the Carbon-14 Supply Agreement, the Cobalt-60 Supply Agreement and the Consulting Services Fee Framework Agreement are collectively referred to as the **Agreements**. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

As the Agreements will expire on 31 December 2020, the Company intends to continue the transactions under the Agreements and renew the Agreements for a term of three years. Therefore, the Board of Directors resolved on 30 November 2020 to renew the Agreements.

2. RENEWAL OF THE AGREEMENTS

(1) Supply Agreement

Parties: CNNC (the purchaser); and

The Company (the supplier).

Principal Terms: On 30 November 2020, the Company and CNNC entered into the Products and Services Supply Framework Agreement, pursuant to which CNNC and/or its associates will purchase the following products supplied by the Group: Radioactive source products, radioactive instruments and pharmaceuticals. The Group will also provide detection, recycling, transportation, reloading and other ancillary services related to the sales of such products and research and development services related to research and development projects.

Term: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Reasons for the Transaction: The Group sells radioactive source products, radioactive instrument and pharmaceuticals to CNNC and/or its associates in its ordinary and usual business. For example, we sell isotope products to CNNC and/or its associates for their engineering projects and radioactive products to their hospitals. The research services provided to CNNC by the Group as the major force for the nuclear technology application business of CNNC will be increased gradually in the next two years, which will facilitate the success of certain key projects by using centralized resources with synergy effect of enhancing the competitiveness of both CNNC and the Group along the whole industrial chain.

Pricing Policy: The product prices to be paid to the Group by CNNC and/or its associates will be determined by relevant parties through fair negotiation, and shall not be more favorable than those offered by us to independent third parties in the latest three months.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the amounts of transactions involved in the Supply Agreement are set out as follows:

Historical Amounts (RMB'000)		
2018	2019	Nine months ended 30 September 2020
55,204	59,660	40,828

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Supply Agreement are set out as follows:

Proposed Annual Caps <i>(RMB'000)</i>					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
83,100	107,640	140,000	100,000	110,000	120,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. The historical transaction amounts and market price (as applicable) of each type of materials and service and the relevant industry development trend.
2. The Company is the major supplier of certain types of radioactive sources for CNNC and its associates to build and operate nuclear power station. Therefore, the Company will refer to the mid-term and long-term nuclear power development plan of the National Energy Administration to estimate CNNC's purchase demand for radioactive sources from us. Based on the nuclear power development plan of the National Energy Administration for year 2030, it is estimated that the amount of radioactive sources to be purchased by CNNC and/or its associates from the Company in the following three years will increase by around 10% yearly on average. However, such estimate is subject to specific approval of the National Energy Administration on nuclear power station each year.
3. Based on the historical amount of the radioactive instruments and pharmaceuticals purchased by CNNC and/or its associates from the Company, the historical import cost for radioactive instruments and cost of raw materials for pharmaceuticals, etc. in the past three years, we expect that the amount of radioactive instruments and pharmaceuticals to be purchased by CNNC and/or its associates from the Company will increase by approximately 10% – 15% annually in the future years.

(2) Purchase Agreement

Parties: The Company (the purchaser); and
CNNC (the supplier).

Principal Terms: The Company entered into the Products and Services Purchase Framework Agreement with CNNC on 30 November 2020, pursuant to which CNNC and/or its associates will 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: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, 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 organize 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.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the amounts of transactions involved in the Purchase Agreement are set out as follows:

Historical Amounts (RMB'000)		
2018	2019	Nine months ended 30 September 2020
85,547	99,105	88,947

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Purchase Agreement are set out as follows:

Proposed Annual Caps (RMB'000)					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
72,000	161,200	144,560	170,000	180,000	190,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. The historical transaction amounts between the Company and CNNC and/or its associates during the Track Record Period, including the historical procurement costs.
2. The cost for the products and services is expected to increase by 5% annually in the following three years, taking into account the recovery growth after the outbreak of COVID-19 and the following factors:
 - (1) the expected increase of unit price for raw and ancillary materials and production equipment;
 - (2) the service life and evaluation period of transportation containers, market prices of transportation containers offered by independent third parties;
 - (3) the expected increase of site cost, labor cost, maintenance cost and safety & security cost for encapsulation and processing services of cobalt-60 radioactive sources;
 - (4) the raising standard for technical testing and the increasing demand for technical testing; and
 - (5) the demand and development plan for scientific research relating to high-end irradiation.

(3) Property & Equipment Leasing and Related Services Framework Agreement

Parties: CNNC (the lessor and service provider); and
the Company (the lessee and service recipient).

Principal Terms: The Company entered into the Property & Equipment Leasing and Related Services Framework Agreement with CNNC on 30 November 2020, pursuant to which the Group will rent or use a number of properties and equipment from CNNC and/or its associates, and CNNC and/or its associates will provide us with supporting services relating to the properties and equipment and other services. Such properties and equipment are mainly used for our production, operation and management, including but not limited to: (i) office buildings, land and office facilities; (ii) production plants (mainly used to produce technetium-99m labeled injections, fluorine-18-FDG injections and iodine-125 sealed source etc.); (iii) production facilities in relation to waste liquid and gas emissions and treatment services and others; (iv) production equipment (mainly high-power accelerator); (v) common areas and facilities (including kindergarten, water and electricity facilities and other facilities); and (vi) services associated with employee education, safety production and research and development of technologies.

Term: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Reasons for the Transaction: Historically the Group has rented or used a number of properties and equipment of CNNC and/or its associates for the purpose of the Group's production, operation and management, and CNNC and/or its associates have provided us with general supporting services relating to such properties and equipment. In view of (a) the quality of the equipment and facilities provided by CNNC in the field of nuclear technology; (b) the Group's long-term business relationship with CNNC; and (c) the fact that certain key equipment and facilities were tailor made for our Group's production purpose, the leasing of such properties and equipment is in line with the Group's business needs and economic interests and Shareholders' interests as a whole. Relocation or switch to new equipment and facilities will give rise to additional costs and expenses, cause interruption to our production and require additional training costs and time. In addition, the high-quality employee education services, safety production training services and scientific research-related services provided by CNNC enable the Group to improve its management skills, to enhance its safety production and to improve its scientific research capability. In light of the above, the Directors are of the view that it is in the Shareholders' best interest to continue the current arrangement with CNNC and/or its associates in relation to the lease of the properties, equipment and the related services.

Pricing Policy: We determine the rents and service fees in accordance with the following criteria:

- The rental for properties and equipment for administrative and other general purposes shall be equal to or not higher than the prevailing market price offered by an Independent Third Party under the same circumstances.
- As for the service fees for waste liquid and gas treatment and disposal, the Group will refer to the annual volume of the waste liquid and gas treated and/or disposed and the service fees calculated based on the staff costs and facility costs.
- The service fees in respect of employee education, safety production and scientific research will be determined with reference to several factors, including the relevant costs incurred by CNNC and/or its associates in providing such service and our business scale.
- The rental for certain properties and equipment designed with industry specialties will be determined by the parties through fair negotiation based on the costs of the relevant services provided by CNNC and/or its associates, such as equipment depreciation and staff costs.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the amounts of transactions involved in the Property & Equipment Leasing and Related Services Framework Agreement are set out as follows:

Historical Amounts (RMB'000)		
2018	2019	Nine months ended 30 September 2020
40,785	36,396	11,723

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Property & Equipment Leasing and Related Services Framework Agreement are set out as follows:

Proposed Annual Caps <i>(RMB'000)</i>					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
43,000	55,000	40,000	70,000	70,000	70,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. the current area space of the properties and the types of equipment and facilities leased by the Company from CNNC and/or its associates.
2. the expected market price for the leased properties and equipment and the expected changes in market price after renewal of such leases.
3. the expected volume of the waste liquid and gas treated and/or disposed based on the Company's business development plan, the raising standard for waste liquid and gas emission in compliance with applicable environmental protection laws and regulations, and the increase of processing costs for the waste liquid and gas.
4. the Company's estimated demand for its production plants, equipment and related supporting services needed based on its business expansion and its estimated production capacity.
5. the costs for lease of production properties and equipment from CNNC and/or its associates and disposal of waste gas and liquid by HTA, CNGT and CNNC Tongxing are estimated to be RMB55 million per year.
6. the costs for lease of research and development properties and equipment from CNNC and/or its associates are estimated to be RMB15 million per year.

(4) Carbon-14 Supply Agreement

Parties: Headway (the purchaser); and

The Company (the supplier).

Principal Terms: The Company entered into the carbon-14 raw materials supply framework agreement with Headway on 30 November 2020, pursuant to which the Group will provide Headway and/or its associates with carbon-14 as the raw materials for production of carbon-14 breath-testing medicine boxes. The Group will also provide ancillary services such as packaging and transportation relating to provision of the carbon-14 raw materials.

Term: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Reasons for the Transaction: Headway specializes in the field of breath diagnosis, and carbon-14 is the main raw material for carbon-14 breath-testing products. Due to the Group's advanced nuclear application technology and its long-term and stable cooperation relationship with international carbon-14 raw materials suppliers, we can import high-quality and stable carbon-14 raw materials from Russia and other countries, so the Group is the exclusive supplier of carbon-14 raw materials to Headway and/or its associates.

Pricing Policy: The fee payable to the Group by Headway and/or its associates will be determined by parties through mutual negotiation based on the cost-plus method, taking into account our purchasing costs of carbon-14 imported by the Group from Russia and other countries, and the costs of manpower, warehousing and transportation of the Group during the selling process.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the amounts of transactions involved in the Carbon-14 Supply Agreement are set out as follows:

Historical Amounts (RMB'000)			
2018	2019		Nine months ended 30 September 2020
8,791	11,435		11,891

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Carbon-14 Supply Agreement are set out as follows:

Proposed Annual Caps (RMB'000)					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
5,500	18,480	18,480	22,000	23,000	24,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. The business plan and development of Headway and/or its associates in the next three years. Based on Headway's historical sales volume of carbon-14 breath-testing medicine boxes in 2018, 2019 and 2020, it is expected that the clinical demand for carbon-14 breath-testing medicine boxes produced by Headway may increase by approximately 10% annually in the following three years.
2. The expected changes relating to the price, supply and demand for carbon-14 raw materials in the international market and the change in the import cost of carbon-14 raw materials.

(5) Cobalt-60 Supply Agreement

Parties: The Company (the purchaser); and

CNNC Tongxing (the supplier).

Principal Terms: The Company entered into the cobalt-60 radioactive sources supply and related services framework agreement with CNNC Tongxing on 30 November 2020, pursuant to which the Group will purchase cobalt-60 radioactive sources from CNNC Tongxing and/or its associates, and CNNC Tongxing and/or its associates will provide related services such as transportation and reloading in connection with the sales of cobalt-60 radioactive sources.

Term: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Reasons for the Transaction: CNNC Tongxing is the exclusive domestic supplier of cobalt-60 radioactive sources in the PRC. Due to the relationship between our Group and CNNC Tongxing, it is easier to purchase cobalt-60 radioactive sources from CNNC Tongxing and more efficient to recycle the waste, so as to reduce the costs of import, transportation and waste treatment and disposal relating to importing cobalt-60 radioactive sources overseas.

Pricing Policy: The terms of purchasing cobalt-60 radioactive source from CNNC Tongxing should be no less favorable than the terms of the agreements entered into between the Group and independent third parties overseas. The purchase prices payable to CNNC Tongxing and/or its associates by us shall be determined by the parties through fair negotiation with reference to the production costs of the cobalt-60 radioactive sources and the prevailing price in the international market.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the amounts of transactions involved in the Cobalt-60 Supply Agreement are set out as follows:

Historical Amounts (RMB'000)		
2018	2019	Nine months ended 30 September 2020
8,008	13,831	16,015

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Cobalt-60 Supply Agreement are as follows:

Proposed Annual Caps <i>(RMB'000)</i>					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
19,400	27,560	27,560	30,000	35,000	40,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. The expected demand of cobalt-60 radioactive sources for the Company's existing eight irradiation stations, the Company's existing storage amount of cobalt-60 radioactive sources and the radioactivity level of such cobalt-60 radioactive sources. Particularly, the recovery growth after the outbreak and the following factors are taken into consideration:
 - (1) the half-life period of cobalt-60 radioactive sources is approximately five years;
 - (2) the Company started to purchase cobalt-60 radioactive sources to replenish its irradiation stations in 2011 and 2012;
 - (3) the Company's existing irradiation stations requires 800,000 to 900,000 Ci of cobalt-60 radioactive sources per year on average; and
 - (4) replenishment of cobalt-60 radioactive sources for irradiation stations is required from time-to-time, as the radioactivity level of cobalt-60 radioactive sources declines at a rate of approximately 12% per year.
2. The historical and expected sales prices and production costs (including raw material cost, labor cost and production facility cost etc.) of cobalt-60 radioactive sources supplied by CNNC Tongxing and/or its associates.
3. The production capacity of cobalt-60 radioactive sources of CNNC Tongxing and its associates.

(6) Consulting Services Fee Framework Agreement

Parties: CNNC Tongxing (the service receiver); and

The Company (the service provider).

Principal Terms: The Company entered into the Consulting Services Fee Framework Agreement with CNNC Tongxing on 30 November 2020, pursuant to which the Company will provide technical support and consulting services to CNNC Tongxing and/or its associates relating to the distribution channels and customer resources of cobalt-60 radioactive sources, and CNNC Tongxing and/or its associates will pay us consultation service fees.

Term: The agreement will come into force on 1 January 2021 and expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Reasons for the Transaction: In response to the PRC government's localization requirements for cobalt-60 radioactive sources and in light of the strategic transformation of the Group, the Company is no longer engaged in the import and sale of cobalt-60 radioactive sources and has offered the corresponding market channels and customer resources, and provided marketing and technical support, to CNNC Tongxing and/or its associates. In turn, CNNC Tongxing and/or its associates pay the Company consulting fees for the sale of cobalt-60 radioactive source products.

Pricing Policy: The consulting service fees to be paid by CNNC Tongxing and/or its associates to the Company are determined by the relevant parties through fair negotiation, taking into account the following factors: our historical sales revenue of cobalt-60 radioactive sources, the demand trends of cobalt-60 radioactive sources in the next three years, and the estimated costs of the consulting services provided by the Company in the next three years.

Historical Amounts: For the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the transaction amounts involved in the Consulting Services Fee Framework Agreement are set out as follows:

Historical Amounts (RMB'000)		
2018	2019	Nine months ended 30 September 2020
18,336	21,617	12,826

Proposed Annual Caps: For each of the three years ended 31 December 2023, the proposed annual caps for the Consulting Services Fee Framework Agreement are as follows:

Proposed Annual Caps (RMB'000)					
Annual Cap for 2018	Annual Cap for 2019	Annual Cap for 2020	Proposed Annual Cap for 2021	Proposed Annual Cap for 2022	Proposed Annual Cap for 2023
22,400	24,700	24,700	25,000	25,000	25,000

The Basis for Annual Caps: The above annual caps are determined by reference to the following factors:

1. The historical and expected sales amount of cobalt-60 radioactive sources of CNNC Tongxing. In 2018, 2019 and 2020, CNNC Tongxing sold approximately 8.10 million, 7.86 million and 7.8 million Ci of cobalt-60 radioactive sources in the PRC domestic market, respectively.

2. The changes in the market price and costs (including raw materials cost, labor cost and production equipment cost) of cobalt-60 radioactive sources in the next three years. As the international price of cobalt sources increased significantly due to the tight supply of cobalt sources in the world, CNNC Tongxing expects that the price of cobalt sources will increase by 5% in 2021 compared with 2020.
3. As the maximum production capacity of cobalt-60 radioactive sources of CNNC Tongxing and its associates is approximately 7.5 million Ci, we expect that the purchase amount from CNNC Tongxing will be the same for the next three years.

Internal Control System for Continuing Connected Transactions under the Agreements

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 (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 Transaction

The services provided by CNNC and/or its subsidiaries and CNNC Tongxing or the supply services provided by the Group to CNNC, Headway and/or its subsidiaries are conducted 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 its business development. The products and services provided by the Group to CNNC, Headway and/or their respective subsidiaries are expected to add value to the sales of the Group's products.

In respect of the Directors attending the board meeting, connected Directors Mr. Meng Yanbin, Mr. Wu Jian, Mr. Du Jin, Mr. Zhou Liulai and Mr. Chen Shoulei were considered to have material interests by virtue of being employed by CNNC and its associates and had thus abstained from voting on the board resolution(s) in respect of the Agreements.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Agreements are determined after arm's length negotiations on normal commercial terms, the proposed transactions and annual caps thereunder are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, 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 radiopharmaceuticals and radioactive source products for medical and industrial applications. We also provide irradiation services for sterilization 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

Established on 29 June 1999, CNNC 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.

CNNC Tongxing

Established on 12 March 2010, it is principally engaged in the production of radioactive sources, instruments and apparatus, and mechanical equipment, and the provision of technical development and consulting, technology transfer, import and export services.

Headway

Incorporated as a limited company in China on 9 August 1996, Headway is mainly engaged in the production and sale of UBT kits and analyzer products.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement, CNNC is our controlling shareholder, holding 73.83% of our issued share capital directly or indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The Company and CNNC (through one of its subsidiary) hold 51% and 49% equity interests in CNNC Tongxing, respectively. Therefore, CNNC Tongxing and its associates will constitute connected subsidiaries of the Company pursuant to Chapter 14A.16 of the Listing Rules. The Company and CNNC approximately hold 54.1% and 27.9% equity interests in Headway, respectively. Therefore, Headway is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, while Headway and its subsidiaries are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions under the Agreements are continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the Agreements for the three years ended 31 December 2021, 2022 and 2023 exceed 0.1% but are less than 5%, the transactions contemplated under the Agreements are subject to the reporting, announcement and annual review requirements, but exempted from 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, 30 November 2020

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 Ms. Chang Jinyu as non-executive Directors; Mr. Guo Qingliang, Mr. Meng Yan, Mr. Hui Wan Fai and Mr. Tian Jiahe as independent non-executive Directors.