

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

FURTHER ANNOUNCEMENT ON RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of China Isotope & Radiation Corporation (the “**Company**”) dated 30 November 2020, in relation to renew 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 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Company has set up internal control system for Continuing Connected Transactions under the Agreements.

The Company further announces that the Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- a) the transactions contemplated under the Agreements are conducted on a non-exclusive basis.
- b) the Company has adopted internal control rules such as Connected Transaction Management Measures.
- c) under the leadership of the Board, the Company has set up a connected transaction leading group headed by the Chief Financial Officer. This connected transaction leading group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions.

- d) each subsidiary of the Group has established the connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this announcement to set the price for each transaction.
- e) under the leadership of the connected transaction leading group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner.
- f) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.
- g) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report to the general meeting of the Company on an annual basis on their performance of duties. Such reports include opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.
- h) the Supervisory Committee supervises the matters relating to the continuing connected transactions. It reviews the annual financial reports and interim financial reports which consist of the implementation of the continuing connected transactions on an annual basis. It also reviews the domestic and overseas compliance of the connected transactions, whether the prices are fair and reasonable and whether there are any acts which are detrimental to the interests of the Company and the Shareholders.
- i) the Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps.
- j) the external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Hong Kong Listing Rules and submits the same to the Stock Exchange.

The Company further announces many of product and services sold or purchased by the Group are nuclear technology related and shall be produced or provided by entities with relevant qualifications and experience. The number of such product or service providers with relevant qualifications and experience in China is limited, the majority of which are CNNC and/or its associates, including the Company.

For sale of product and services under the Supply Agreement, the Carbon-14 Supply Agreement and the Consulting Services Fee Framework Agreement, the prices to be paid to the Group by CNNC and/or its associates will not be more favourable than those offered by us to independent third parties. The Company will closely monitor each transaction through internal control measures as disclosed above. The Group has formulated rules to implement standard price for each product or service which is applied to both CNNC and/or its associates and independent third parties. For each transaction, the legal department of each subsidiary of the Group will compare, among the others, the price offered to CNNC and/or its associates and the price offered to independent third parties in the contract and ensure that the price offered to CNNC and/or its associates is not more favourable. The specific personnel in charge of the pricing of the continuing connected transactions in each subsidiary of the Group will strictly observe the price for each transaction.

For purchase of product and services under the Purchase Agreement, the Property & Equipment Leasing and Related Services Framework Agreement and the Cobalt-60 Supply Agreement, if the Company chooses suppliers through tendering process, the tendering process will be managed by the Group to strictly follow the rules and requirements of the Bidding Law of the People's Republic of China, and in the case other than through tendering process, the Group will set up different steps to encourage competition among potential suppliers including CNNC and/or its associates and independent suppliers. Potential suppliers will be invited to submit fee quotations separately and independently and normally the Group will require several rounds of fee quotations to reduce prices. CNNC and/or its associates and independent suppliers will be treated fairly. If the Company chooses suppliers without through tendering process, the purchase price payable to CNNC and/or its associates by the Group shall be determined by the parties through fair negotiation with reference to the cost for relevant products and services (including labor costs and material costs) and the prevailing market price. Depending on the type of product or service, the Company will contact its suppliers (including CNNC and/or its associates and independent suppliers) at least once a year to understand the market conditions. For each transaction, the legal department of each subsidiary of the Group will compare, among the others, the price offered by CNNC and/or its associates and the price offered by independent third parties in the contract and ensure that the price offered by CNNC and/or its associates is not less favourable. The specific personnel in charge of the pricing of the continuing connected transactions in each subsidiary of the Group will strictly observe the price for each transaction.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction under the Agreements will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as disclosed on normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

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

Beijing, the PRC, 10 December 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.