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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

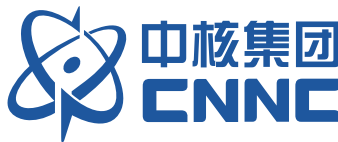
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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Isotope & Radiation Corporation**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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### CHINA ISOTOPE & RADIATION CORPORATION

### 中國同輻股份有限公司

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

**(Stock Code: 1763)**

### PROPOSED FORMULATION OF CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF PROPOSED A SHARE ISSUANCE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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A letter from the Board is set out on pages 3 to 5 of this circular. Capitalised terms used on this cover page have the same meanings as defined in this circular.

The Company will convene the EGM at 9:30 a.m. on Tuesday, 27 July 2021 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notice of the EGM is set out on pages 44 to 45 of this circular. The proxy form for the EGM is enclosed herewith.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 9:30 a.m. on 26 July 2021) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

7 July 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Board”	the board of Directors
“Company”	China Isotope & Radiation Corporation (中國同輻股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB
“EGM”	the second extraordinary general meeting of 2021 of the Company to be held at 9:30 a.m. on Tuesday, 27 July 2021 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, the PRC
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Share(s)”	the ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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### CHINA ISOTOPE & RADIATION CORPORATION

### 中國同輻股份有限公司

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

**(Stock Code: 1763)**

#### **Members of the Board**

*Chairman and executive Director:*

Mr. Meng Yanbin

*Executive Directors:*

Mr. Wang Suohui

Mr. Du Jin

*Non-executive Directors:*

Mr. Liu Zhonglin

Mr. Chen Shoulei

Ms. Chang Jinyu

Ms. Liu Xiuhong

*Independent Non-executive Directors:*

Mr. Hui Wan Fai

Mr. Tian Jiahe

Ms. Chen Jingshan

Mr. Lu Chuang

#### **Registered Office**

Room 418, South 4th Floor, Building 1

No. 66 Changwa Middle Street

Haidian District

Beijing

PRC

#### **Head Office and Principal**

##### **Place of Business in the PRC**

No. 66 Changwa Middle Street

Haidian District

Beijing

PRC

#### **Principal Place of Business**

##### **in Hong Kong**

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

*Dear Shareholders,*

Dear Sir/Madam

### **PROPOSED FORMULATION OF CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF PROPOSED A SHARE ISSUANCE**

#### **1. INTRODUCTION**

The purpose of this circular, of which this letter forms a part, is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

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## LETTER FROM THE BOARD

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At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, approve, among the others, the proposed formulation of corporate governance rules for the purpose of proposed A Share issuance.

### **2. PROPOSED FORMULATION OF CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF PROPOSED A SHARE ISSUANCE**

For the purpose of proposed A Share issuance, the Board proposed the formulation of the following corporate governance rules: (i) the External Guarantees Management System of China Isotope & Radiation Corporation (please refer to Appendix I); (ii) the A Share Proceeds Management System of China Isotope & Radiation Corporation (please refer to Appendix II); (iii) the Investment Management System of China Isotope & Radiation Corporation (please refer to Appendix III); and (iv) the Management System for Regulating Fund Transfer with Related Parties of China Isotope & Radiation Corporation (please refer to Appendix IV).

The proposed formulation has been approved by the Directors at the Board meeting, and will be submitted to the EGM for approval by Shareholders by way of ordinary resolutions. Upon approval by Shareholders, the proposed formulation will become effective upon the completion of A Share issuance and the listing of A Shares on the Shanghai Stock Exchange.

Each of the aforesaid corporate governance rules are prepared in Chinese and no official English version is available. Any English translation is for information purpose only. In case of any inconsistency, the Chinese version shall prevail.

### **3. EGM**

The Company will convene the EGM at 9:30 a.m. on Tuesday, 27 July 2021 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notices of the EGM is set out on pages 44 to 45 of this circular. The proxy form for the EGM are enclosed herewith.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 9:30 a.m. on 26 July 2021) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### 4. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 82 of the Articles, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will demand a poll in relation to every resolution proposed at the EGM.

### 5. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### 6. RECOMMENDATION

The Board considers that all resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole, and recommends the Shareholders to vote in favour of all such resolutions.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

Beijing, the PRC, 7 July 2021

## CHAPTER 1 GENERAL RULES

**Article 1** In order to further regulate the external guarantee behaviours of China Isotope & Radiation Corporation (hereinafter referred to as “CIRC” or the “Company”), reinforce the management of external guarantees, effectively control and prevent risks of external guarantees of the Company and ensure the safety and integrity of the assets of the Company, the External Guarantees Management System of China Isotope & Radiation Corporation (hereinafter referred to as the “System”) is formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Civil Code of the People’s Republic of China (hereinafter referred to as the “Civil Code”), the Notice on Regulating External Guarantee Behaviours of Listed Companies, the Notice on Several Issues Concerning Regulating Fund Transactions between Listed Companies and Their Related parties and the External Guarantee of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relevant laws, regulations, regulatory documents as well as the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “Articles of Association”) and other relevant requirements.

**Article 2** The “external guarantees” referred to in the System represent the provision of guarantees by the Company in the capacity of third party for the debts as owed by debtor to the creditor, where in case of default of debts by the debtor, the Company shall perform the debts or assume the obligations as agreed. Forms of guarantees include guarantees, security and pledge.

“External guarantees” referred to in the preceding clause include the guarantees by the Company to its controlling subsidiaries.

“Total external guarantees by the Company and its controlling subsidiaries” referred to in this system refer to the sum of total external corporate guarantees including the guarantees by the Company to its controlling subsidiaries and the total external guarantees by the controlling subsidiaries of the Company.

**Article 3** Guarantees provided by the Company for its own debts are not applicable for the System.



**CHAPTER 2 SCOPE OF EXTERNAL GUARANTEES**

**Article 4** Provision of guarantees shall comply with the following requirements:

- (I) The guaranteed and the guarantee items shall comply with laws and regulations as well as the industry policies of the State and the companies of the Group.
- (II) Provision of guarantees shall be based on real economic activities such as production and operation, project construction, project contracting, borrowing, commodities transportation and processing and contracting, and shall be within the scope of ordinary production and operation and project construction.

**Article 5** The Company could provide guarantees to entities which are legal persons and fulfill the following conditions:

- (I) Legal person entities with ordinary production and operation, sound financial system, reasonable working capital, considerable economic strength and good credit standing;
- (II) In principle, no guarantee shall be provided to external entities without equity holding relations;
- (III) Entities with relatively strong solvency, good operation conditions, financial conditions and credibility and self-confidence.

**Article 6** Guarantors shall fulfill the following conditions:

- (I) Guarantors shall be legal persons, and in principle, no guarantee shall be provided to the branches and functional departments of a corporate legal person.
- (II) Business entities which provide guarantees shall have operation, and no guarantee shall be provided by business entities for the purpose of charity and social organizations.

**Article 7** In principle, the Company shall not provide guarantees in any form to any non-legal person entities or individuals.

### CHAPTER 3 REVIEW OF EXTERNAL GUARANTEES

**Article 8** Prior to making decisions on guarantees, the Company shall fully understand the credit status of the guaranteed and conduct due analysis on the revenue and risks of the guarantee items, and based on the situation, employ external professional institutions to provide relevant professional opinions.

The credit status of the guaranteed includes but not limited to the followings:

- (I) Basic situation of the guaranteed (including corporate name, registered address, legal representatives, scope of operation, related relationship and other relationships with the Company);
- (II) Name of the creditor;
- (III) Debt contract entered into between the guaranteed and the creditor;
- (IV) Methods, term and amounts of guarantees, etc;
- (V) Audited financial reports and repayment capability analysis of the guaranteed;
- (VI) Any record on non-performing loans of the guaranteed in major deposit banks;
- (VII) Other important information.

**Article 9** The board of directors or the shareholders' general meeting shall, based on relevant information, conscientiously review the financial status, industry prospects, operation status and credibility and credit status of the guaranteed. For those guaranteed who fall into one of the following conditions or without sufficient information provided, no guarantee shall be provided:

- (I) The guaranteed does not comply with national laws and regulations or national industry policies;
- (II) The property rights of the guaranteed are uncertain, form conversion has not been completed or the establishment does not comply with national laws and regulations or national industry policies;
- (III) The guaranteed provided false financial statements and other information with the intention to defraud guarantees from the Company;
- (IV) The Company has previously provided guarantees, and there existed overdue bank borrowings and default of interest payment, etc.;

- (V) The operation conditions of the guaranteed have deteriorated, which are enterprises with poor creditability;
- (VI) The guaranteed could not provide counter-guarantee or fail to implement effective properties for counter-guarantee;
- (VII) Other conditions where the board of directors or the shareholders' general meeting consider that no guarantee shall be provided.

**Article 10** Counter-guarantee or other effective risk aversion measures provided by the guaranteed must have an amount corresponding to the guarantees provided by the Company. In case the properties set as counter-guarantee by the guaranteed are properties forbidden to circulate or untransferable by laws and regulations, the Company shall refuse to provide guarantees for them.

#### **CHAPTER 4 DECISION-MAKING FOR EXTERNAL GUARANTEES**

**Article 11** The highest decision-making body of the Company's external guarantees is the shareholders' general meeting of the Company.

**Article 12** The board of directors exercises the decision-making power for external guarantees in accordance with the provisions of relevant laws, regulations and the Articles of Association in respect of the board of directors' authority to approve external guarantees. The external guarantees approved by the board of directors shall be considered and resolved by more than two-thirds of the directors present at the board meeting in addition to being approved by more than half of all directors.

Where a proposal to provide guarantees for related parties such as shareholders, effective controllers and their related parties is considered at a board meeting, related directors shall abstain from voting on such resolution or voting on behalf of other directors. The board meeting can be convened by more than half of the unrelated directors, and the resolutions of the board meeting shall be passed by more than two-thirds of the unrelated directors; if the number of unrelated directors present at the board meeting is less than 3, the matter shall be submitted to the shareholders' general meeting for consideration.

If the matter to be approved is beyond the board of directors' authority as stipulated in the Articles of Association, the board of directors shall make a proposal, which shall be submitted to the shareholders' general meeting for approval after considered and approved by the board of directors.

The board of directors manages and implements external guarantees approved by the shareholders' general meeting.

**Article 13** Where a guarantee is to be provided by the Company, it shall be submitted to the board of directors or the shareholders' general meeting for consideration and disclosed in a timely manner.

The following external guarantees of the Company shall be considered and approved by the shareholders' general meeting:

- (I) Any guarantee to be provided after the total external guarantees of the Company and its controlling subsidiaries has exceeded 50% of the Company's latest audited net assets;
- (II) Any guarantee to be provided after the total external guarantees of the Company in 12 consecutive months has exceeded 30% of the Company's latest audited net assets;
- (III) Guarantees to be provided to a subject whose debt-to-asset ratio exceeds 70%;
- (IV) A single guarantee in an amount exceeding 10% of the Company's latest audited net assets;
- (V) Guarantees to be provided to shareholders, effective controllers and their related parties;
- (VI) Other guarantees required to be considered and approved by the shareholders' general meeting by regulatory bodies;
- (VII) Other guarantees that shall be considered and approved by the shareholders' general meeting according to laws, administrative regulations, departmental rules or the Articles of Association.

The guarantee in (II) above shall be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where a proposed guarantee to be provided to shareholders, effective controllers and their related parties is considered at a shareholders' general meeting, such shareholder or the shareholder(s) controlled by such effective controller shall abstain from voting for such resolution, which shall be approved by more than half of the voting rights held by other shareholders present at the shareholders' general meeting.

Where the Company provides guarantees for its wholly-owned subsidiaries or guarantees for its controlling subsidiaries whose other shareholders would provide guarantees according to the interests to which they are entitled on a pro-rata basis without prejudice to the interests of the Company, the provisions set out in (I), (III) and (IV) above may be waived, except as otherwise provided in the Articles of Association. The Company shall disclose the above guarantees collectively in its annual report and interim report.

Where the Company provides guarantees for related parties, it shall be commercially justifiable and be disclosed in a timely manner upon approval of the board of directors before submitting to the shareholders' general meeting for consideration.

Where the Company provides guarantees for controlling shareholders, effective controllers and their related parties, the controlling shareholders, effective controllers and their related parties shall provide counter-guarantees.

**Article 14** Where approval by or registration with government departments is required by laws and regulations, the guarantor shall report the guarantees (including charges and pledges) for approval or register the same in a timely manner.

## **CHAPTER 5 EXECUTION OF GUARANTEE CONTRACTS**

**Article 15** After the Company's external guarantee has been considered and approved by the board of directors or the shareholders' general meeting, the guarantee contract shall be executed by the legal representative or authorised representative and the guaranteed. No individual is allowed to sign external guarantee contracts, agreements or other similar legal documents in the name of the Company.

**Article 16** The Company must enter into a guarantee contract in writing for external guarantees. The guarantee contract shall contain the matters required by the Civil Code and other laws and regulations. The guarantee contract shall include at least the followings:

- (I) The type and amount of the guarantee;
- (II) The method and scope of the guarantee and the guarantee period;
- (III) The time limit for the debtor to settle the debt;
- (IV) The guarantor has the right to supervise the funds and property of the guaranteed;
- (V) After the provision of an external guarantee by the guarantor, its consent must be obtained if the creditor and the guaranteed require modification to the contract guaranteed or if the creditor permits the transfer of the debt by the debtor;
- (VI) The guarantor shall have the right of recourse against the guaranteed after the discharge of the obligations of guarantor;
- (VII) The guarantor has the right to require the guaranteed to implement counter-guarantee measures or provide corresponding collaterals;
- (VIII) The guarantor has the right to receive the agreed guarantee fee;

(IX) Other matters that are required to be agreed upon.

**Article 17** After a resolution to provide an external guarantee has been made by the board of directors or the shareholders' general meeting of the Company, the finance department and legal advisor of the Company shall complete the relevant legal procedures. When accepting a charge or a pledge in respect of the counter-guarantee, major aspects of the counter-guarantee contract shall be consistent with the relevant matters stipulated in the guarantee contract.

## **CHAPTER 6 RISK MANAGEMENT OF EXTERNAL GUARANTEES**

**Article 18** The financial management department of the Company shall be the management department responsible for the Company's guarantee behaviours.

**Article 19** After the execution of a guarantee contract, the financial management department of the Company shall implement dynamic control, follow-up management and individual registration and pay attention to the corresponding guarantee period. It shall actively procure the guaranteed to fulfil the payment obligations as scheduled prior to the maturity of the debt guaranteed by the Company.

**Article 20** The Company shall adopt effective measures to recover the debt from the debtor after the performance of the guarantee obligations for the debtor by the Company. When the guaranteed fails to fulfil the payment obligations in a timely manner after the debt falls due, or the guaranteed undergoes bankruptcy or liquidation and the creditor asserts the performance of guarantee obligations by the Company, the financial management department and the legal affairs department of the Company shall initiate the counter-guarantee recovery procedure (if there is a counter-guarantee) or other recovery procedures and notify the chief accountant and the secretary of the board of directors at the same time, and the secretary of the board of directors shall immediately report the same to the Chairman of the Company and the board of directors.

**Article 21** As a guarantor, the Company shall refuse to assume the guarantee obligations in excess of its agreed proportion if there are two or more guarantors who agree to assume the guarantee obligations based on an agreed proportion for the same debt.

## **CHAPTER 7 INFORMATION DISCLOSURE ON EXTERNAL GUARANTEES**

**Article 22** The Company shall, in strict compliance with the relevant requirements of, among other things, laws, regulations, rules, regulatory documents and the Articles of Association, conscientiously perform the obligations of information disclosure on external guarantees.

**Article 23** Any department and personnel participating in the external guarantees of the Company are obligated to report the status of external guarantees to the secretary of the board of directors of the Company on a timely basis, and provide documental information as necessary for information disclosure.

**Article 24** For provision of guarantees by the Company, in case the guaranteed fails to perform the repayment obligation within 15 trading days upon the maturity of the indebtedness or the guaranteed enters into bankruptcy, liquidation or other situations which severely affect its insolvency, the listed company shall make timely disclosure.

**Article 25** The Company shall adopt necessary measures to, prior to the making public disclosure on guarantee information pursuant to the laws, control the number of persons acknowledging such information to the minimum extent. Any personnel who acknowledges the guarantee information of the Company by legal or illegal means is compulsorily obligated to keep the information confidential until the date when such information is publicly disclosed pursuant to the laws, or otherwise he/she shall assume the legal responsibilities arising therefrom.

**Article 26** The System is applicable for the Company, its wholly-owned subsidiaries and its controlling subsidiaries. The Company's controlling subsidiaries shall, upon making relevant resolutions by their board of directors or shareholders' general meetings, inform the Company for performing relevant information disclosure obligations on a timely basis.

**Article 27** The independent non-executive directors of the Company shall, in the annual report, give specific descriptions on the status of the accrued and prevailing external guarantees of the Company as well as the status of executing the aforesaid requirements, and express independent opinions.

## **CHAPTER 8 SUPPLEMENTARY PROVISIONS**

**Article 28** The System shall become effective upon resolution and approval by the shareholders' general meeting and, due to the special requirements on A-share listed companies, shall become effective upon the completion of initial public offering by the Company and on the date of listing in the Science and Technology Innovation Board of the Shanghai Stock Exchange.

**Article 29** Unless otherwise specified, the terms used in the System shall have the same meaning ascribed thereto under the Articles of Association.

**Article 30** The terms "or above", "or below" herein are all inclusive terms, whereas "exceed", "below", "less than" are exclusive terms.

**Article 31** Matters not covered herein shall be executed in accordance with relevant national laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association. If there are any discrepancies between the System and the relevant

laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association, the latter shall prevail. If the System is inconsistent with the laws and regulations issued by the State in the future, regulatory documents, or the Articles of Association after being revised by legal procedures, it shall be implemented in accordance with the provisions of relevant national laws and regulations, regulatory documents, and the Articles of Association, and shall be revised immediately and submitted to the shareholders' general meeting for consideration and approval.

**Article 32** Amendments to the System shall be proposed by the board of directors and submitted for consideration and approval at the shareholders' general meetings.

**Article 33** The board of directors of the Company shall be responsible for the interpretation of the System.



**CHAPTER 1 GENERAL RULES**

**Article 1** In order to regulate the A Share proceeds (hereinafter referred to as the “Proceeds”) behaviour of China Isotope & Radiation Corporation (hereinafter referred to as the “Company”), reinforce the management of the Proceeds of the Company, prevent the risks of the Proceeds, ensure the safety of the Proceeds, maintain the image of the Company and the interests of shareholders, the Company has formulated the System in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange (hereinafter referred to as the “Listing Rules”), the Administrative Measures of the Shanghai Stock Exchange for the Capital Raised by Listed Companies and the Applicable Guideline No.1 of Self-disciplined Supervision Rules of the Listing Companies of the Science and Technology Innovation Board of the Shanghai Stock Exchange-Regulated Operation and relevant laws, regulations, regulatory documents as well as the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “Articles of Association”) and based on the actual situation of the Company.

**Article 2** The Proceeds referred to in the System refer to the capital raised by the Company from investors through public offering of securities (including initial public offering of shares, rights issue, additional issuance, issuance of convertible corporate bonds, issuance of convertible corporate bonds for divestiture and issuance of warrants, etc.) and non-public offering of securities, but excluding the capital raised by the listed company through implementation of equity incentive scheme.

**Article 3** After the Proceeds are in place, the Company shall complete the capital verification procedures in a timely manner, which shall be verified by an accounting firm with securities qualifications and a capital verification report shall be issued.

**Article 4** The Company shall improve the level of scientific decision-making and management ability, make decisions in a scientific, democratic and prudent manner in strict accordance with laws and regulations and the Articles of Association, strengthen the use of the Proceeds and the feasibility analysis on investment projects, and effectively improve the operating efficiency and profitability.

**Article 5** The board of directors of the Company shall be responsible for the establishment and perfection of the Company’s management system for the Proceeds, which clearly stipulates the aspects in relation to the deposit in the special account, usage, changes, supervision and accountability for the Proceeds, and ensuring the effective implementation of such system.

**Article 6** Where the investment projects funded by the Proceeds are implemented through the Company’s subsidiaries or other enterprises controlled by the Company, the Company shall ensure that such subsidiaries or other enterprises controlled by the Company comply with the provisions of the System.

**CHAPTER 2 DEPOSIT OF THE PROCEEDS IN SPECIAL ACCOUNT**

**Article 7** The Company shall prudently select a commercial bank and open a special account for the Proceeds (hereinafter referred to as the “Special Account”), and the Proceeds shall be deposited in the Special Account established with the approval of the board of the directors of the Company for centralized management, which shall not be used for the deposit of non-Proceeds or for other purposes.

If there are more than two financing activities for the Company, a Special Account for Proceeds shall be set up independently. The excess of the actual net Proceeds over the planned amount of the Proceeds (hereinafter referred to as the “Excess Proceeds”) shall also be deposited into the Special Account for the Proceeds for management.

**Article 8** The Company shall enter into a tripartite supervision agreement (hereinafter referred to as the “Agreement”) with the sponsorship institution or the independent financial advisor and the commercial bank (hereinafter referred to as the “Commercial Bank”) to which the Proceeds are deposited within one month after the Proceeds are in place. The Agreement shall at least include the followings:

- (I) The Company shall deposit the Proceeds in the Special Account;
- (II) Account number of the Special Account for the Proceeds, the project financed by Proceeds involved in such Special Account and the amount deposited;
- (III) The Company and the Commercial Bank shall notify the sponsorship institution or the independent financial advisor in a timely manner in the event that the amount withdrawn by the Company from the Special Account for one time or in aggregate within 12 months exceeds RMB50 million or 20% of the net amount of the total Proceeds after deducting the issuance expenses (hereinafter referred to as the “Net Proceeds”);
- (IV) The Commercial Bank shall issue a monthly reconciliation statement to the Company and send a copy to the sponsorship institution or the independent financial advisor;
- (V) The sponsorship institution or the independent financial advisor can access the information of the Special Account at the Commercial Bank at any time;
- (VI) The supervision duties of the sponsorship institution or the independent financial advisor, the notification and cooperation duties of the Commercial Bank, and the supervision methods of the sponsorship institution or the independent financial advisor and the Commercial Bank on the use of the Proceeds of the Company;

(VII) If the Commercial Bank fails to timely issue a reconciliation statement to the sponsorship institution or the independent financial advisor or notify the material withdrawal of the Special Account for three times, and fails in circumstances of cooperating with the sponsorship institution in access to and investigation of the information of the Special Account, the Company may terminate the Agreement and cancel the such Special Account for the Proceeds;

(VIII) Rights, obligations and default liabilities of the Company, the Commercial Bank, the sponsorship institution or the independent financial advisor.

The Company shall announce the main contents of the Agreement in a timely manner upon signing all agreements.

If the Company implements the proceeds project through its holding subsidiaries, the Company, its holding subsidiaries implementing the proceeds project, the Commercial Bank, the sponsorship institution or the independent financial advisor shall jointly sign a tripartite supervision agreement, and the Company and its holding subsidiaries shall be deemed to be the same party.

If the above Agreement is terminated due to the change of the Commercial Bank, the sponsorship institution or the independent financial advisor before the expiry of its term, the Company shall enter into a new agreement with the relevant parties within one month from the date of termination of the Agreement, and report to the Shanghai Stock Exchange for filing and announce the main contents of the Agreement within 2 trading days after the signing of the above Agreement.

**Article 9** The Company shall actively urge the Commercial Bank to perform the Agreement. If the Commercial Bank fails to timely issue a reconciliation statement to the sponsorship institution or the independent financial advisor or notify the material withdrawal of the Special Account for three times, and fails in circumstances of cooperating with the sponsorship institution in access to and investigation of the information of the Special Account, the Company may terminate the Agreement and cancel the such Special Account for the Proceeds.

### **CHAPTER 3 USE OF THE PROCEEDS**

**Article 10** The Company shall use the Proceeds in accordance with the Proceeds investment plan as committed in the offering application documents. The Company shall make an announcement in a timely manner in the event that the normal progress of the Proceeds investment plan is seriously affected.

**Article 11** The Proceeds shall in principle, be used in principal business and the field of scientific and technological innovation. Proceeds of the Company shall not be involved in the below behaviours:

- (I) Apart from financial enterprises, the Proceeds are used to commence financial investments such as entrusted wealth management (except for cash management) and entrusted loans, high-risk investments such as securities investment and derivatives investment, and directly or indirectly invested in companies whose principal business is trading of marketable securities;
- (II) Changes in the use of Proceeds in disguised form through pledge, entrusted loan or other means;
- (III) Proceeds are directly or indirectly provided to related parties such as the controlling shareholder and effective controllers for providing convenience for them to obtain improper benefits from the proceeds project;
- (IV) Other behaviours in violation of the provisions on managing the Proceeds.

The Company shall make continuous disclosure on the use of Proceeds as required by the Shanghai Stock Exchange.

**Article 12** The board of directors of the Company shall comprehensively inspect the progress of the Proceeds investment projects semi-annually. In the event that the difference between the actual amount of the Proceeds used in the year by the Proceeds investment projects and the estimated amount of the Proceeds used in the year of the latest disclosed Proceeds investment plan exceeds 30%, the Company shall adjust the Proceeds investment plan and disclose, among other things, the latest annual investment plan of the Proceeds, the current actual investment progress, the revised estimated annual investment plan and the reasons for the changes in the investment plan in the special report on the annual deposit and use of the Proceeds.

**Article 13** In the event that any of the following circumstances occurs to the Proceeds investment project, the Company shall examine afresh the feasibility and estimated return of such project and decide whether to continue to implement such project:

- (I) Any significant change in the market environment involved in the Proceeds investment projects;
- (II) The Proceeds investment projects have been suspended for more than one year;
- (III) If the deadline for the completion of the previous Proceeds investment plan is exceeded and the invested amount of the Proceeds does not reach 50% of the relevant planned amount;
- (IV) Abnormal circumstances occurred in other Proceeds investment projects.

The Company shall disclose the progress of the project, reasons for abnormality and the adjusted Proceeds investment plan (if any) in the latest regular report.

**Article 14** Where the Company decides to terminate the original Proceeds investment projects, new investment projects shall be selected as soon as possible and scientifically.

**Article 15** Where the Company replaces the self-raised funds previously invested in the proceeds investment projects with the Proceeds, the replacement shall be subject to the consideration and approval of the board of directors of the Company, the issue of an assurance report by a certified public accountant and the explicit consent expressed from independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor and the performance of information disclosure obligations.

If the Company has disclosed its intention to replace the self-raised funds invested in advance with the Proceeds in the offering application documents and the amount invested in advance is determined, the Company shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days after the meeting of the board of directors. The duration between the replacement time and the time for the Proceeds to be in place shall not exceed six months.

**Article 16** Where the idle Proceeds of the Company are temporarily used to replenish the liquidity, it shall be considered and approved by the board of directors, and independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor shall express their explicit consent and disclose, and shall meet the following conditions:

- (I) The use of Proceeds shall not be changed in disguised form;
- (II) The normal operation of the Proceeds investment plan shall not be affected;
- (III) The time for a single replenishment of liquidity shall not exceed 12 months;
- (IV) Proceeds previously used for temporary replenishment of liquidity have been returned (if applicable).

The use of idle Proceeds to replenish liquidity shall be limited to the use of production and operation related to the principal business, and shall not be directly or indirectly used for placing and subscription of new shares, or investment in stocks and their derivatives, convertible corporate bonds, etc.

**Article 17** Where the Company uses idle Proceeds to replenish liquidity, it shall be considered and approved by the board of directors of the Company, and the followings shall be announced within two trading days:

- (I) Basic information of the Proceeds, including the time, amount, net amount and investment plan of the Proceeds;
- (II) Use of the Proceeds;
- (III) Amount and duration of idle Proceeds to replenish liquidity;
- (IV) Amount of financing expenses expected to be saved by replenishing liquidity with idle Proceeds, the reasons for the insufficient liquidity, whether there is any act of changing the use of the Proceeds in disguised form and measures to ensure that the normal operation of the Proceeds projects is not affected;
- (V) Opinions issued by independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor;
- (VI) Other contents required by the stock exchange.

Prior to the due date for replenishment of liquidity, the Company shall return such portion of funds to the special account for the Proceeds and make an announcement within 2 trading days after the funds are fully repaid.

**Article 18** If the Excess Proceeds of the Company reach or exceed the amount of the planned Proceeds, the Company will properly arrange the usage plan for the Excess Proceeds according to the development plan and actual production and operation requirements of the Company, and make timely disclosure after being considered and approved by the board of directors.

Independent non-executive directors and the sponsorship institution or the independent financial advisor shall express their independent opinions on the reasonableness and necessity of the usage plan of Excess Proceeds, and disclose the same together with the relevant announcements of the Company. Where it complies with the relevant requirements of the Listing Rules and shall be submitted to the shareholders' general meeting for consideration, it shall be done so.

In principle, the Excess Proceeds shall be used for the principal business of the Company, and shall not be used for holding financial assets held for trading and financial assets available-for-sale, lending to others, financial investments such as entrusted wealth management (except for cash management), or commencement of high-risk investments such as securities investment and derivatives investment, and shall not be directly or indirectly invested in companies whose principal business is trading of marketable securities.

**Article 19** The Company's Excess Proceeds can be used to repay bank loans or permanently replenish liquidity, but the cumulative amount used shall not exceed 30% of the total Excess Proceeds within every twelve months, and it shall be committed that within twelve months upon the replenishment of liquidity, no high-risk investment nor provision of financial assistance to objects other than the controlling subsidiaries shall be conducted.

For investment funds related to the principal business jointly invested by the Company and professional investment institutions, or for industry investment funds for poor regions under market operation and investment funds such as poverty alleviation and charity funds, the preceding provision is not applicable.

**Article 20** In case the Excess Proceeds are used for permanent replenishment of liquidity or repayment of bank loans, it shall be considered and approved by the board of directors and the shareholders' general meeting of the Company where shareholders would be provided with internet voting means, and explicit consent issued by independent non-executive directors, the board of directors, the sponsorship institution and the independent financial advisor shall be obtained. The Company shall announce the following contents within 2 trading days from the meeting of the board of directors:

- (I) Basic information of the Proceeds, including the time, amount, net amount and excess amount of the Proceeds;
- (II) No high-risk investments nor commitments on the provision of financial assistance to other parties shall be conducted within 12 months from the replenishment of liquidity;
- (III) Opinions issued by independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor.

**Article 21** In case the Company use the Excess Proceeds in projects in process and new projects (including the acquisition of assets, etc.), it shall be invested in the principal business. Feasibility analysis on the investment project(s) shall be conducted in a scientific and prudential manner, which shall be submitted to the board of directors for consideration and approval with explicit consent expressed from independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor. Information disclosure obligations shall also be performed on a timely basis.

In case the Company plans to use Excess Proceeds amounting to RMB50 million in a single time and representing over 10% of the total Excess Proceeds, it shall also be submitted to the shareholders' general meeting for consideration and approval.

**Article 22** Where the Excess Proceeds are used for temporary replenishment of liquidity, it shall be deemed as using the idle Proceeds for temporary replenishment of liquidity.

**Article 23** The Company may conduct cash management on the temporarily idle Proceeds (including Excess Proceeds), and the products invested by it must meet the following conditions:

- (I) High security, meeting the requirements of capital preservation, and the issuer of the product can provide capital preservation commitment;
- (II) Good liquidity, shall not affect the normal operation of the Proceeds investment plan;
- (III) The investment products shall not be pledged, and the special settlement account for the products (if applicable) shall not be used to deposit non-Proceeds or for other purposes. Where there is any opening or cancellation of the special settlement account for the products, the Company shall report to the Shanghai Stock Exchange for filing and make an announcement within 2 trading days.

**Article 24** Where the Company uses idle Proceeds to invest in products, it shall be subject to the consideration and approval of the board of directors of the Company with the explicit consent expressed from independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor.

The Company shall announce the followings within two trading days after the meeting of the board of directors:

- (I) Basic information of the Proceeds, including the time, amount, net amount and investment plan of the Proceeds;
- (II) Use of the Proceeds;
- (III) Amount and duration of idle Proceeds invested in products;
- (IV) Reasons for the idle Proceeds, whether there is any act of changing the use of the Proceeds in disguised form and measures to ensure that the normal operation of the Proceeds projects is not affected;
- (V) The income distribution method of the investment products, investment scope, and the capital preservation commitment and safety analysis provided by the issuing principal of the products;
- (VI) Opinions issued by independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor.



The Company shall timely make public disclosure of the risk warning announcement and specify the risk control measures adopted by the Company to ensure the safety of funds in the event that the Company is exposed to material risks such as deterioration of the financial condition of the issuing principal of the products and losses are imminent to the products invested.

**Article 25** Where the Company purchases assets from specific targets by issuing securities as payment, it shall ensure that the ownership transfer procedures of the aforesaid assets are completed prior to the listing of the new shares. The law firm engaged by the Company shall issue a special legal opinion on the completion of the asset transfer procedures.

**Article 26** Where the Company purchases assets from specific targets by way of issuing securities or uses the Proceeds for the acquisition of assets, the relevant parties shall strictly abide by and perform the relevant undertakings in relation to the acquisition of assets.

#### **CHAPTER 4 CHANGE IN USE OF THE PROCEEDS**

**Article 27** The Company shall be deemed to have changed the use of the Proceeds in the following circumstances:

- (I) Cancel or terminate the original Proceeds projects, implement new projects or replenish liquidity;
- (II) Change of the implementation principal of the Proceeds projects (except for the change of the implementation principal between the Company and its wholly-owned subsidiary or its controlling subsidiary, where such matter and the Special Account opened by the wholly-owned subsidiary and the controlling subsidiary thereon shall be considered and determined by the general manager office of the Company);
- (III) Change of the implementation method of the Proceeds investment projects;
- (IV) Other circumstances considered by the stock exchange as change in the use of Proceeds.

Proceeds of the Company shall be used in accordance with the uses listed in the prospectus or the offering memorandum. In case of change in the proceed investment project of the Company, it shall be considered and approved by the board of directors and the shareholders' general meeting, and could only be changed with the explicit consent from independent non-executive directors, the sponsorship institution or the independent financial advisor, the supervisory committee.

**Article 28** The changed use of the Proceeds of the Company shall be invested in the principal business.

**Article 29** The board of directors of the Company shall prudently carry out the feasibility analysis of the new Proceeds investment project after the proposed change, ensure that the investment project has a better market prospects and profitability, effectively avoid investment risks and improve the efficiency of the use of the Proceeds.

**Article 30** If the Company intends to change the use of the Proceeds, it shall announce the followings within 2 trading days after submission to the board of directors for consideration:

- (I) Basic information of the original project and the specific reasons for the change;
- (II) Basic information and risk warning of new projects;
- (III) Investment plan for new projects;
- (IV) Explanation on approval of new projects obtained or pending from relevant authorities (if applicable);
- (V) Opinions of independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor on the change in the use of the Proceeds;
- (VI) Explanation on the change of the Proceeds investment projects to be submitted to the shareholders' general meeting for consideration;
- (VII) Other contents required by the stock exchange.

New projects involving related party transactions, acquisition of assets and external investments shall also be disclosed in accordance with the requirements of the relevant rules.

**Article 31** In case the Company intends to externally transfer or replace the proceeds investment projects (except for Proceeds investment projects which have been entirely and externally transferred or replaced in the course of material assets restructuring by the Company), the following contents shall be announced within 2 trading days after the submission to the board of directors for consideration:

- (I) Specific reasons for the external transfer or replacement of the proceeds investment projects;
- (II) Amount of Proceeds invested in the project;
- (III) Completion progress of the project and the benefits attained;
- (IV) Basic information and risk warning of the project after replacement (if applicable);

- (V) Pricing basis and relevant revenue for the transfer or replacement;
- (VI) Opinions on the transfer or replacement of proceeds investment projects from independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor;
- (VII) Explanation on the fact that the transfer or replacement of proceeds investment projects is still subject to the consideration by the shareholders' general meeting;
- (VIII) Other contents required by the Shanghai Stock Exchange.

The Company shall pay full attention to the receipt and use of transfer price, the change of ownership of assets after the replacement and their continuous operation, and perform necessary information disclosure obligations.

**Article 32** Where the Company changes the use of the proceeds investment project to acquire assets (including equity) of the controlling shareholder or effective controllers, it shall ensure that peer competition can be effectively avoided and related party transactions can be reduced after the acquisition.

**Article 33** If the Company only changes the place of implementation of the Proceeds investment projects, it may be exempted from the procedures stipulated in clause 2 of Article 27 of the System, but it shall be subject to the consideration and approval of the board of directors, and shall be reported to the stock exchange and make an announcement within two trading days to explain the changes, reasons and opinions issued by the sponsorship institution or the independent financial advisor.

**Article 34** After the completion of a single or all Proceeds investment project(s), the use of a small amount of the remaining fund (including interest income) of such project by the Company for other purposes shall be subject to the consideration and approval of the board of directors and the explicit consent expressed from independent non-executive directors, the supervisory committee, the sponsorship institution or the independent financial advisor. The Company shall report to the stock exchange and make an announcement within two trading days after the meeting of the board of directors.

Where the remaining Proceeds (including interest income) are less than RMB ten million, the procedures in the preceding clause may be exempted, but the Company shall disclose the use of relevant Proceeds in the annual report.

Where the remaining Proceeds (including interest income) of a single proceeds investment project of the Company are used for non-proceeds investment projects (including replenishment of liquidity), the corresponding procedures and disclosure obligations shall be performed with reference to the change of the proceeds investment projects.

## CHAPTER 5 MANAGEMENT AND SUPERVISION OF THE PROCEEDS

**Article 35** The finance department of the entity undertaking the project shall establish a ledger for the use of the Proceeds, which shall record in detail the expenditure of the Proceeds and the investment in the Proceeds projects. The audit and risk management department of the Company shall inspect the deposit and use of the Proceeds at least once a quarter and report the inspection results to the board of directors in a timely manner.

**Article 36** In case the Company uses the Proceeds in the prevailing year, the board of directors shall comprehensively check the progress of the proceeds investment projects every half year, and issue the Special Report on the Deposit and Actual Use of the Proceeds of the Company (hereinafter referred to as the “Special Proceeds Report”) regarding the deposit and use of the Proceeds.

If there are differences between the actual investment progress of the Proceeds investment projects and the investment plan, the Company shall explain with specific reasons in the Special Proceeds Report. In case there exists investment in products with idle Proceeds in the prevailing period, the Company shall disclose in the Special Proceeds Report the revenue during the reporting period as well as status such as the investment proportion at the end of the period, contracting parties, product names and duration.

The Special Proceeds Report shall be considered and approved by the board of directors and the supervisory committee, and shall be announced within 2 trading dates after consideration by the board of directors. In the course of annual audit, the Company shall engage an accounting firm to issue an assurance report on the deposit and use of Proceeds, which shall be disclosed at the disclosure of the annual report.

The accounting firm shall express assurance conclusion on whether the special report to the board of directors has been prepared in accordance with this guideline and relevant format guidelines and provide reasonable assurance on whether it has truly reflected the actual deposit and use of Proceeds in the year.

If the assurance conclusion is “qualified conclusion”, “negative conclusion” or “unable to form a conclusion”, the board of directors of the Company shall analyze the reasons for the conclusion raised by the certified public accountant in the assurance report, propose rectification measures and disclose the same in the annual report.

**Article 37** The sponsorship institution or the independent financial advisor shall, at least once every half year, conduct an on-site inspection on the deposit and use of the Proceeds of the Company. Upon the end of every accounting year, the sponsorship institution or the independent financial advisor shall issue a special verification report on the deposit and use of Proceeds of the Company for the year, which shall be disclosed at the disclosure of the annual report of the Company. The verification report shall contain the following contents:

- (I) the deposit and use of Proceeds, and the balance of the Special Account;

- (II) Progress of the Proceeds projects, including the differences as compared with the progress of investment plan for the Proceeds;
- (III) Status of replacing the Proceeds with self-raised funds which have been invested into the Proceeds investment projects (if applicable);
- (IV) Status and effects of replenishing liquidity with idle Proceeds (if applicable);
- (V) Use of Excess Proceeds (if applicable);
- (VI) Change of investment direction of the Proceeds (if applicable);
- (VII) Conclusion opinions on whether the deposit and use of Proceeds of the Company are compliant;
- (VIII) Other contents as required by the Shanghai Stock Exchange.

Upon the end of every accounting year, the board of directors of the Company shall disclose in the Special Proceeds Report the special verification report of the sponsorship institution and the conclusion opinions in the assurance report of the accounting firm.

In case the accounting firm issues a “qualified conclusion”, “negative conclusion” or “is unable to form a conclusion” on the deposit and use of Proceeds of the Company, the sponsorship institution or the independent financial advisor shall also conscientiously analyze the reasons for the above assurance conclusion made by the accounting firm in its assurance report, and express explicit verification opinions.

**Article 38** Independent non-executive directors shall pay continuous attention to the actual management of use and the use of the Proceeds. With the consent of more than half of the independent non-executive directors, independent non-executive directors may engage certified public accountants to issue an assurance report on the use of the Proceeds. The Company shall actively cooperate and bear necessary expenses.

The board of directors of the Company shall make an announcement within 2 trading days from the receipt of the assurance report as stipulated in the preceding clause. If the assurance report considers that the management and use of the Company’s Proceeds exist violations, the board of directors shall also announce the existence of violation of deposit and use of the Proceeds, the consequences which have already been or may be caused as well as the measures which have already been or are intended to be taken.

**Article 39** If the sponsorship institution or the independent financial advisor finds that there are material violations or material risks in the management of the Proceeds by the Company during the on-site inspection of the Company, it shall report to the stock exchange in a timely manner.

**CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 40** The System shall become effective and be implemented upon resolution and approval by the shareholders' general meeting and upon the completion of initial public offering by the Company and on the date of listing in the Science and Technology Innovation Board of the Shanghai Stock Exchange.

**Article 41** Unless otherwise specified, the terms used in the System shall have the same meaning ascribed thereto under the Articles of Association.

**Article 42** The terms "or above", "or below" herein are all inclusive terms, whereas "exceed", "below", "less than" are exclusive terms.

**Article 43** Matters not covered herein shall be executed in accordance with relevant national laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association. If there are any discrepancies between the System and the relevant laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association, the latter shall prevail. If the System is inconsistent with the laws and regulations issued by the State in the future, regulatory documents, or the Articles of Association after being revised by legal procedures, it shall be implemented in accordance with the provisions of relevant national laws and regulations, regulatory documents, and the Articles of Association, and shall be revised immediately and submitted to the shareholders' general meeting for consideration and approval.

**Article 44** Amendments to the System shall be proposed by the board of directors and submitted for consideration and approval at the shareholders' general meetings.

**Article 45** The board of directors of the Company shall be responsible for the interpretation of the System.

**CHAPTER 1 GENERAL RULES**

**Article 1** In order to further regulate the investment behaviour of China Isotope & Radiation Corporation (hereinafter referred to as “CIRC” or the “Company”), reinforce the management of investments of the Company, prevent the risks of investments, ensure the safety of investments, improve the efficiency of investments, prevent the loss of state-owned assets, maintain the image of the Company and the interests of investors, the Investment Management System of China Isotope & Radiation Corporation (hereinafter referred to as the “System”) is formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange (hereinafter referred to as “Listing Rules of the Science and Technology Innovation Board”) and relevant laws, regulations, regulatory documents as well as the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “Articles of Association”) and based on the actual situation of the Company.

**Article 2** The investments referred to in the System are the economic behaviour of inputting capital, currencies, and other resources to certain areas in certain periods in the future or foreseeable periods for obtaining economic or social benefits.

**Article 3** In terms of the categories of investments, the investments of the Company may include fixed asset investments, equity investments, scientific research investment and special investments in financial assets.

**Article 4** The basic principles that the Company should comply with on its investments: Compliance with national industrial policies and corporate development strategies, rational allocation of corporate resources, compliance with the concept of value creation, strict compliance with decision-making procedures on investments, assurance on level of investment return and prevention of loss of state-owned assets.

**Article 5** The System is applicable to all the domestic and overseas investment behaviours of the Company, its wholly owned subsidiaries and controlling subsidiaries (hereinafter referred to as “Subsidiaries”).

**CHAPTER 2 MANAGEMENT DUTIES**

**Article 6** The shareholders' general meeting, the board of directors and the general manager office of the Company, as the decision-making bodies for the Company's investments, shall make decisions on the Company's investments within their respective scope of authorities. Any other department or individual shall not make decisions on investments.

**Article 7** The strategic planning department (corporate management department) is the designated management department for the investment business of the Company. In accordance with their respective division of responsibilities, the relevant functional departments of the Company shall be responsible for collecting information, sorting and preliminary assessment, proposing investments, organizing and commencing the preparation of proposals and feasibility reports, project reporting and establishment, supervising execution, coordinating and subsequent evaluation of the investment projects in related areas.

**CHAPTER 3 AUTHORITY FOR INVESTMENT APPROVAL**

**Article 8** Professional management and hierarchical approval system shall be implemented on the investments of the Company.

**Article 9** The Company shall, in relation to its investments, perform the approval procedures in strict accordance with the authorities as stipulated in the Company Law, the Listing Rules of the Science and Technology Innovation Board, and other relevant laws, regulations, the Articles of Association, the Rules of Procedure of the Shareholders' General Meeting of China Isotope & Radiation Corporation as well as the Rules of Procedure of the Board of Directors of China Isotope & Radiation Corporation. The investments of the Company shall be processed in accordance with the approval procedures for related transactions if such investments constitute related transactions.

**Article 10** In the absence of conflicts with relevant laws, regulations, rules, regulatory documents, the investment transactions of the Company (except the provision of guarantees) (hereinafter referred to as the "Transaction(s)", as defined in Article 37 of the System) shall be submitted to the board of directors for approval if such Transactions meet one of the following criteria:

- (I) The total assets involved in the Transaction (the higher of carrying or assessed value if both exist) account for more than 10% but less than 50% of the latest total audited assets of the Company;
- (II) The amount of the Transaction accounts for more than 10% but less than 50% of the market capitalization of the Company;



- (III) The net asset value of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 10% but less than 50% of the market capitalization of the Company;
- (IV) The related revenue of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 10% but less than 50% of the audited revenue of the Company in the latest accounting year and more than RMB10 million, or more than 50% but not more than RMB50 million;
- (V) The profit generated from the Transaction accounts for more than 10% but less than 50% of the audited net profit of the Company in the latest accounting year and more than RMB1 million, or more than 50% but not more than RMB5 million;
- (VI) The related net profit of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 10% of the audited net profit of the Company in the latest accounting year and more than RMB1 million, or more than 50% but not more than RMB5 million.

**Article 11** The Transactions of the Company (except the provision of guarantees) shall be submitted to the shareholders' general meeting for approval if such Transactions meet one of the following criteria:

- (I) The total assets involved in the Transaction (the higher of carrying or assessed value if both exist) account for more than 50% of the latest total audited assets of the Company;
- (II) The amount of the Transaction accounts for more than 50% of the market capitalization of the Company;
- (III) The net asset value of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 50% of the market capitalization of the Company;
- (IV) The related revenue of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 50% of the audited revenue of the Company in the latest accounting year and more than RMB50 million;
- (V) The profit generated from the Transaction accounts for more than 50% of the audited net profit of the Company in the latest accounting year and more than RMB5 million;
- (VI) The related net profit of the subject of the Transaction (such as equity) in the latest accounting year accounts for more than 50% of the audited net profit of the Company in the latest accounting year and more than RMB5 million.

**Article 12** Absolute value will be taken for calculation if the data involved in the calculation for the indicators of the System is negative.

The Transaction amounts specified in the System refer to the Transaction amounts paid and the debts and expenses assumed. If the Transaction arrangement involves possible future payment or receipt of consideration, and neither specific amount is involved nor the amount has been determined according to the set conditions, the expected maximum amount shall be the Transaction amount.

The market capitalization stipulated in the System refers to the arithmetic mean of the closing market value for the 10 trading days prior to the Transaction.

If the Company implements installment Transactions, the relevant requirements stipulated in the System shall apply based on the total Transaction amounts. The Company shall disclose the actual occurrence of installment Transactions in a timely manner.

**Article 13** If the Company and the same counterparty have Transactions of the same type as required in the Listing Rules of the Science and Technology Innovation Board and in opposite directions at the same time, Article 10 or Article 11 of the System shall apply based on the unidirectional amount thereof.

Except for the provision of guarantees, entrusted wealth management and other matters stipulated in the Listing Rules of the Science and Technology Innovation Board and the Business Rules of the Shanghai Stock Exchange, if the Company conducts the same type of Transactions as required in the Listing Rules of the Science and Technology Innovation Board and related to the subject matter, Article 10 or Article 11 of the System shall be applied based on the principle of accumulative calculation for consecutive 12 months. If the obligations have been performed in accordance with Article 10 or 11 of the System, they shall no longer be included in the relevant cumulative calculation.

**Article 14** If the equity interest is the subject of the Transaction and meets the criteria set forth in Article 11 of the System, the Company shall provide an audit report of the financial reports for the latest year and the current period of the subject of the Transaction; if the subject of the Transaction is a non-cash asset other than an equity interest, a valuation report shall be provided. The cut-off date of the audited financial report shall not be more than 6 months from the date of the audited report being used and the valuation date of the valuation report shall not be more than 1 year from the date of the valuation report being used.

The audit report and the valuation report required by the preceding paragraph shall be issued by securities trading service institutions qualified to carry out securities and futures trading related business.

The Company shall provide audit report or evaluation report for Transactions that do not reach the standards stipulated in Article 11 of the System whenever the Shanghai Stock Exchange considers necessary.

**Article 15** Where the scope of the Company's consolidated statements is changed due to equity Transaction, obligations shall be performed under Article 10 or Article 11 of the System based on the financial indicators relative to the equity.

Where the aforementioned equity Transaction has not resulted in a change in the scope of the consolidated financial statement, the relevant financial indicators shall be calculated in accordance with the proportion of changes in the equity held by the Company, and Article 10 or Article 11 of the System shall apply.

**Article 16** Where a controlling subsidiary is no longer included in the consolidated statements of the Company as the Company directly or indirectly waives the right of first refusal or the right of capital increase to such Subsidiary, it shall be deemed as disposal of equity assets, and Article 10 or Article 11 of the System shall apply based on the financial indicator relative to the equity.

Where partial waiver of the right of first refusal or the right of capital increase to its controlling subsidiary or investee company does not result in any change in the scope of the consolidated statement, but a decrease in the shareholding of the Company, relevant financial indicators shall be calculated according to the change of the equity interests held by the Company, and Article 10 or Article 11 of the System shall apply.

Where the Company waives or partially waives the right of return to its subordinate non-corporate entities, the provisions of the above two articles shall apply *mutatis mutandis*.

**Article 17** The Company shall not provide financial assistance, except entrusted loans between the Company and its Subsidiaries and among its Subsidiaries.

If the Company has entrusted wealth management on a rolling basis for 12 consecutive months, the highest balance for that period shall be the amount of the transaction, and Article 10 (II) or Article 11 (II) of the System shall apply.

If the Company engages in a Transaction of leasing in of assets or being entrusted for management of assets, the calculation shall be based on rent or income, and Article 10 (IV) or Article 11 (IV) of the System shall apply.

If the Company engages in a Transaction of leasing out of assets or entrusting others to manage assets, the calculation shall be based on the total amount of assets, rental income or management fees, and Article 10 (I), (IV) or Article 11 (I), (IV) of the System shall apply.

A change in the scope of the Company's consolidated financial statements as a result of being entrusted for management, leasing in of assets, or entrusting others to manage or leasing out of assets, should be treated as a purchase or sale of assets.

**Article 18** Where a Transaction involving the purchase or sale of assets by the Company involves a total amount of assets or a Transaction amount that cumulatively exceeds 30% of the Company's latest audited total assets within a continuous period of 12 months, it shall, in addition to being disclosed and audited or assessed in accordance with the provisions of Article 12, be submitted to the shareholders' general meetings for consideration and approved by at least two-thirds of the voting rights held by the shareholders present at the meeting.

**Article 19** Investments not meeting the criteria set forth in Article 10, Article 11 of the System shall be subject to the approval of the general manager office of CIRC or its authorized entity.

#### **CHAPTER 4 MANAGEMENT OF INVESTMENTS**

**Article 20** The financial asset investment projects of the Company shall be executed by the relevant functional departments upon obtaining approvals in accordance with the approval authorities and procedures as required by the System.

**Article 21** The Company shall follow the below procedures in relation to its investments:

- (I) The Company's relevant functional departments shall determine the objectives of investments and study the investment environment;
- (II) The Company's relevant functional departments shall prepare documents relating to project establishment and report to the decision-making bodies of the Company based on thorough investigations and researches;
- (III) Filing requirements shall be fulfilled in accordance with the procedures set forth in the System;
- (IV) The Company's relevant functional departments shall be responsible for the execution, operation, management, and follow-up of the projects.

**Article 22** The Company's relevant functional departments shall input cash, physical objects, or intangible assets in accordance with the investment contracts or agreements. The input of physical objects must go through the physical object handover procedures and be approved by the departments that use the physical objects and the relevant functional departments.

**Article 23** For material investments, the Company shall employ experts or intermediaries for evaluation and feasibility analysis.

**Article 24** The relevant functional departments of the Company shall prepare and implement the corresponding investment plan of construction and development, and shall guide, supervise, and exercise control over the implementation of projects based on the investment projects determined. The relevant functional departments of the Company shall also participate in the auditing, termination (suspension) clearing and handover as well as conduct investment appraisal and summary.

**Article 25** The Company shall establish and improve the archives management system for investment projects, under which the relevant functional departments shall be responsible for sorting out and filing the data from preliminary selection to delivery (including suspension) of investment projects.

## **CHAPTER 5 TRANSFER AND RECOVERY OF INVESTMENTS**

**Article 26** The Company may recover its investments upon the occurrence of any of the following circumstances:

- (I) The operation period of the investment project (enterprise) expires in accordance with the provisions of the articles of association of the investee;
- (II) The investment project (enterprise) undergoes bankruptcy process in accordance with laws and regulations as it is unable to repay debts which have fallen due as a result of poor operation;
- (III) The investment project (enterprise) is unable to continue its operation due to force majeure;
- (IV) The occurrence or arising of other events under which relevant investments could be terminated pursuant to the contracts.
- (IV) Other circumstances as the Company may deem necessary.

**Article 27** The Company may transfer its investments upon the occurrence of any of the following circumstances:

- (I) The investment project is obviously not in line with the operation direction of the Company;
- (II) The investment project cannot meet expected targets due to industry or market changes, or suffer from continuous losses with bleak market prospect;
- (III) The working capital of the Company is insufficient and needs to be replenished as soon as practicable;
- (IV) Other circumstances as the Company may deem necessary.

**Article 28** Disposal of investments must comply with the relevant national laws and regulations.

**Article 29** The procedures and authority to approve disposal of investments should be the same as the authorities to approve the execution of investments.

## **CHAPTER 6 HUMAN RESOURCES MANAGEMENT OF INVESTMENTS**

**Article 30** Candidates for personnel assigned to the investees shall be preliminarily proposed by relevant functional departments and decided by the investment decision-making bodies.

**Article 31** Assigned personnel shall effectively perform their respective duties in accordance with the Company Law and the articles of association of the investees and safeguard the interest of the Company during the operation and management of the investees, striving to maintain and maximize the value of the Company's investments.

## **CHAPTER 7 REPORT OF MAJOR ISSUES**

**Article 32** The information provided by the investees shall be true, accurate, complete, and reported to the Company in the first instance.

**Article 33** The investees shall timely report to the board of directors of the Company in accordance with the Listing Rules of the Science and Technology Innovation Board and the Management Regulations on Internal Report of Major Issues of China Isotope & Radiation Corporation.

**Article 34** The investees shall specify relevant responsible personnel and departments for communicating with the secretary/joint secretaries of the board of directors of the Company on information.

## **CHAPTER 8 SUPPLEMENTARY PROVISIONS**

**Article 35** The System shall become effective upon resolution and approval by the shareholders' general meeting and, due to the special requirements on A-share listed companies, shall become effective upon the completion of initial public offering by the Company and on the date of listing in the Science and Technology Innovation Board of the Shanghai Stock Exchange.

**Article 36** Unless otherwise specified, the terms used in the System shall have the same meaning ascribed thereto under the Articles of Association.

**Article 37** The “Transaction” referred to in the System includes the purchase or sale of assets (excluding the purchase of raw materials, fuel and power, as well as the sale of products or services, and other transactions related to daily operations); investments (except for the purchase of wealth management products from banks); transfer or assignment of research and development projects; signing of license agreements; leasing of assets as lessor or lessee; entrusting or being entrusted management of assets and business; giving or receiving assets as a gift; restructuring of claims or debts; entrusted loans (as referred in the execution of investment); and other transactions as recognized by the Shanghai Stock Exchange.

**Article 38** The terms “or above”, “or below” herein are all inclusive terms, whereas “exceed”, “below”, “less than” are exclusive terms.

**Article 39** Matters not covered herein shall be executed in accordance with relevant national laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association. If there are any discrepancies between the System and the relevant laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association, the latter shall prevail. If the System is inconsistent with the laws and regulations issued by the State in the future, regulatory documents, or the Articles of Association after being revised by legal procedures, it shall be implemented in accordance with the provisions of relevant national laws and regulations, regulatory documents, and the Articles of Association, and shall be revised immediately and submitted to the shareholders’ general meeting for consideration and approval.

**Article 40** Amendments to the System shall be proposed by the board of directors and submitted for consideration and approval at shareholders’ general meetings.

**Article 41** Relevant functional departments shall formulate the corresponding implementation measures or rules for investment management of each department in accordance with the System.

**Article 42** The board of directors of the Company shall be responsible for the interpretation of the System.

**CHAPTER 1 GENERAL RULES**

**Article 1** In order to further strengthen and regulate the capital management of China Isotope & Radiation Corporation (hereinafter referred to as the “Company”), prevent and eradicate the occurrence of misappropriation of funds of the Company by the controlling shareholder, effective controllers and related parties, safeguard the legitimate interests of the Company, shareholders and other stakeholders, the System is formulated in accordance with the relevant requirements of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), Notice on Several Issues Concerning Regulating Fund Transactions between Listed Companies and Their Related parties and the External Guarantee of Listed Companies issued by the China Securities Regulatory Commission, the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange as well as the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “Articles of Association”) and based on the actual situation of the Company.

**Article 2** The System is applicable to the fund management between the controlling shareholder, effective controller and related parties of the Company and the Company. The System is applicable to the fund transfers between the controlling shareholder, effective controller and related parties of the Company and the subsidiaries included in the consolidated financial statements of the Company. “Related parties” referred to in the System refer to the related parties as defined in the Accounting Standards for Business Enterprises No. 36 – Related Party Disclosures issued by the Ministry of Finance, the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange and the Management System for Related Party Transactions of the Company.

**Article 3** The “misappropriation of funds of the listed company” (hereinafter referred to as the “Misappropriation of Funds”) referred to in the System includes two circumstances: misappropriation of operating funds and misappropriation of non-operating funds. The misappropriation of operating funds refers to the Misappropriation of Funds by the controlling shareholder and related parties of the Company through related transactions in production and operation such as procurement and sales. The misappropriation of non-operating funds refers to the funds paid by the Company for the payment of wages, benefits, insurance, advertising and other expenses for the controlling shareholder and related parties, the repayment of debts on behalf of the controlling shareholder and related parties, the direct or indirect lending of funds to the controlling shareholder and related parties with or without compensation, the provision of entrusted loans to the controlling shareholder and related parties through banks or non-banking financial institutions, the request of the Company to entrust the controlling shareholder and related parties to carry out investment activities, the request of the Company to issue commercial acceptance bills without real transaction background for the controlling shareholder and related parties, the failure of the Company to repay the debts incurred by the



Company to assume the guarantee obligations for the controlling shareholder and related parties in a timely manner, and the provision of funds in other ways to the controlling shareholder and related parties without consideration of goods and services.

**Article 4** The controlling shareholder of the Company shall strictly exercise the rights of capital contributors in accordance with the laws and shall bear fiduciary duties to the Company and public shareholders of the Company, and shall not damage the interests of the Company and the legitimate interests of public shareholders by way of Misappropriation of Funds.

## **CHAPTER 2 PRINCIPLES TO PREVENT MISAPPROPRIATION OF FUNDS**

**Article 5** The misappropriation of the Company's funds shall be strictly restricted during the operating fund transfers between the controlling shareholder and other related parties with the Company. The controlling shareholder and other related parties shall not require the Company to advance expenses such as wages, benefits, insurance and advertisement in the period, nor shall they bear the costs and other expenses on behalf of each other.

**Article 6** The Company shall not directly or indirectly provide funds to the controlling shareholder and related parties for use in the following ways:

- (I) Lending the Company's funds to the controlling shareholder and other related parties with or without consideration;
- (II) Providing entrusted loans to related parties through banks or non-banking financial institutions;
- (III) Entrusting the controlling shareholder and other related parties to carry out investment activities;
- (IV) Issuing commercial acceptance bills without real transaction background to the controlling shareholder and other related parties;
- (V) Repaying debts on behalf of the controlling shareholder and other related parties;
- (VI) Other ways of misappropriation prohibited by the China Securities Regulatory Commission.

The certified public accountants shall issue a special explanation on the Misappropriation of Funds by the controlling shareholder and other related parties of the Company in accordance with the above provisions during the audit of the annual financial and accounting report of the Company. The Company shall make an announcement on the special explanation.

If the circumstances of the Misappropriation of Funds have been eliminated, the independent non-executive directors shall express independent opinions.

**Article 7** Related party transactions between the Company and the controlling shareholder and related parties shall be conducted in strict compliance with the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange and the Management System for Related Party Transactions of the Company.

### **CHAPTER 3 MEASURES AND SPECIFIC PROVISIONS ON PREVENTING MISAPPROPRIATION OF FUNDS**

**Article 8** The secretary to the board of directors and the securities affairs representative of the Company shall, in accordance with the requirements of the relevant laws, regulations and regulatory documents such as the Accounting Standards for Business Enterprises No. 36 – Related Party Disclosures issued by the Ministry of Finance and the Rules Governing the Listing of Securities on the Science and Technology Innovation Board of the Shanghai Stock Exchange, enquire and verify the names or personal names of the related parties of the Company with the shareholders, directors, supervisors and senior management of the Company, and prepare a detailed list, which shall be retained by the legal affairs department, and shall also be retained by the finance department for verifying and checking upon the payment of funds. Shareholders, directors, supervisors and senior management of the Company shall truthfully disclose the information of related parties to the secretary to the board of directors. If there is any change in the related parties of the Company, the corresponding shareholders, directors, supervisors or senior management shall immediately notify the secretary to the board of directors or the securities affairs representative, and the secretary to the board of directors or the securities affairs representative shall immediately revise the list of related parties after verification, and submit it to the finance department for filing.

**Article 9** The board of directors of the Company is responsible for the management of preventing the Misappropriation of Funds by the controlling shareholder and related parties. The Directors, supervisors and senior management of the Company are legally obliged to safeguard the security of the Company's funds, and shall perform their duties in accordance with the relevant provisions of the Company Law and the Articles of Association, and earnestly perform their duties to prevent the controlling shareholder and related parties from misappropriating the Company's funds.

**Article 10** The Company has set up a leading group to prevent the Misappropriation of Funds by the controlling shareholder and related parties, which is the daily supervision and management institution for the Company to prevent the controlling shareholder and related parties from misappropriating the Company's funds. The leading group is chaired by the chairman of the Company and comprises the general manager, chief accountant and supervisors.

**Article 11** Main duties of the leading group are:

- (I) To formulate the management system and its amendment plan for preventing the Misappropriation of Funds by the controlling shareholder and related parties, and submit the same to the board of directors of the Company for approval of its implementation;
- (II) To guide and inspect the internal control system and major measures established by the management of the Company to prevent Misappropriation of Funds by the controlling shareholder and related parties;
- (III) To review the relevant data and information on the Misappropriation of Funds by the controlling shareholder and related parties which are regularly submitted to the regulatory authorities for public disclosure;
- (IV) Other matters that need to be studied and decided by the leading group.

**Article 12** The board of directors of the Company and members of the leading group for preventing the Misappropriation of Funds by the controlling shareholder and related parties are the responsible persons for preventing the Misappropriation of Funds by the controlling shareholder and related parties (hereinafter collectively referred to as the “Relevant Responsible Persons”). When the Company conducts business and capital transactions with the controlling shareholder and related parties, it shall strictly monitor the capital flow to prevent the funds from being misappropriated. The Relevant Responsible Persons shall prohibit the controlling shareholder and related parties from appropriating the Company’s funds for non-operating purposes.

**Article 13** The general manager of the Company is responsible for the daily fund management of the Company. The chief accountant assists the general manager in strengthening the control over the financial process of the Company and monitors the capital and business transactions between the controlling shareholder and related parties and the Company. The chief accountant shall report regularly to the leading group for preventing the Misappropriation of Funds by the controlling Shareholder and related parties on the Misappropriation of Funds for non-operating purposes by the controlling shareholder and related parties.

#### **CHAPTER 4 ACCOUNTABILITY AND PENALTY**

**Article 14** If the controlling shareholder or effective controller of the Company misappropriates the Company’s funds by using the connected relationship in violation of the provisions of the System, thereby damaging the Company’s interests and causing losses, they shall be liable for compensation, and the Relevant Responsible Persons shall be liable for the corresponding liabilities.

**Article 15** The board of directors of the Company and members of the leading group for preventing the Misappropriation of Funds by the controlling shareholder and related parties are obliged to safeguard the Company's funds from being misappropriated by the controlling shareholder, and if the Company's directors, senior management and members of the leading group for preventing the Misappropriation of Funds by the controlling shareholder and related parties assist and condone the controlling shareholder's behaviour of appropriating the Company's assets, the board of directors of the Company shall impose penalty on the persons directly responsible according to the severity of the situation, and initiate the procedures for dismissing the persons with serious liabilities and even commencing the procedures to account for criminal liabilities.

**Article 16** The board of directors of the Company has established a "misappropriate means freezing" mechanism for the shares held by shareholders in the Company, which means that if the controlling shareholder is found to misappropriate the Company's funds, then the board of directors shall immediately apply for judicial procedures to freeze the shares held by him/her. If it cannot be settled in cash, then his/her equity shall be realized to repay the misappropriated funds.

**Article 17** Funds of the Company misappropriated by the controlling shareholder and related parties shall be settled in cash in principle. Subject to compliance with the prevailing laws and regulations, the Company may explore ways in terms of financial innovation for settlement, but it shall report to the Company and the relevant national authorities for approval in accordance with statutory procedures. Using non-cash assets by the controlling shareholder and related parties to settle the Company's misappropriated funds shall be strictly controlled. If the controlling shareholder and related parties intend to use non-cash assets to settle the Company's misappropriated funds, the Relevant Responsible Persons shall perform the internal approval procedures of the Company in advance, and shall strictly comply with the relevant national regulations.

**Article 18** The Misappropriation of Funds by the controlling shareholder or related parties approved by the directors, supervisors and senior management of the Company without authorization is regarded as a serious violation, and the board of directors will hold the relevant personnel accountable and it will be dealt seriously. If material amount is involved, the board of directors will convene a shareholders' general meeting to report the relevant situation to all shareholders, and take serious actions against Relevant Responsible Persons according to relevant regulations.

## **CHAPTER 5 SUPPLEMENTARY PROVISIONS**

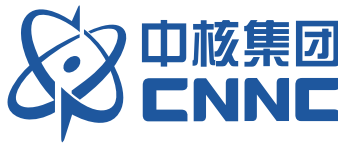
**Article 19** Matters not covered herein shall be executed in accordance with relevant national laws, regulations, and regulatory documents as well as the relevant provisions of the Articles of Association. If there are any inconsistencies or discrepancies between the System and the relevant laws, regulations, and regulatory documents as well as the relevant provisions

of the Articles of Association, it shall be implemented in accordance with the provisions of relevant national laws and regulations, regulatory documents, and the Articles of Association, and shall be revised immediately and submitted to the shareholders' general meeting for consideration and approval.

**Article 20** The board of directors of the Company shall be responsible for the interpretation and amendment of the System.

**Article 21** The System shall be formulated by the board of directors and shall be effective and implemented upon consideration and approval at the shareholders' general meeting of the Company and from the date of initial public offering of stock and listing of the Company on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

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## **CHINA ISOTOPE & RADIATION CORPORATION**

### **中國同輻股份有限公司**

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

**(Stock Code: 1763)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** by the board (the “**Board**”) of directors (the “**Directors**”) of China Isotope & Radiation Corporation (the “**Company**”) that the second extraordinary meeting of 2021 of the Company (the “**EGM**”) will be held at 9:30 a.m. on Tuesday, 27 July 2021 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China by way of physical meeting to consider and, if thought fit, approve the following resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. To consider and approve the re-appointment of KPMG as the Company's international auditor for the year ending 31 December 2021, for a term of office until the next annual general meeting of the Company, and to determine its remuneration as RMB2.2 million.
2. To consider and approve the “External Guarantees Management System of China Isotope & Radiation Corporation”.
3. To consider and approve the “A Share Proceeds Management System of China Isotope & Radiation Corporation”.
4. To consider and approve the “Investment Management System of China Isotope & Radiation Corporation”.
5. To consider and approve the “Management System for Regulating Fund Transfer with Related Parties of China Isotope & Radiation Corporation”.

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

Beijing, the PRC, 7 July 2021

*As at the date of this notice, the Board comprises Mr. Meng Yanbin, Mr. Wang Suohui and Mr. Du Jin as executive Directors; Mr. Liu Zhonglin, Mr. Chen Shoulei, Ms. Chang Jinyu and Ms. Liu Xiuhong as non-executive Directors; and Mr. Hui Wan Fai, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang as independent non-executive Directors.*

*Notes:*

1. The register of members of the Company will be closed from Thursday, 22 July 2021 to Tuesday, 27 July 2021 (both dates inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 27 July 2021 will be entitled to attend and vote at the EGM. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with (in respect of holders of H Shares) the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or, (in respect of holders of Domestic Shares) the Company's head office and principal place of business in the PRC at No. 66 Changwa Middle Street, Haidian District, Beijing, China, for registration no later than 4:30 p.m. on Wednesday, 21 July 2021.
2. Each Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
4. To be valid, the proxy form and notarised power of attorney or other authorisation document must be delivered to (in respect of holders of H Shares) the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or (in respect of holders of Domestic Shares) the Company's head office and principal place of business in the PRC at No. 66 Changwa Middle Street, Haidian District, Beijing, China, as soon as possible but in any event no later than 24 hours before the time stipulated for holding the EGM (i.e. before 9:30 a.m. on Monday, 26 July 2021) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or at any adjourned meeting if you so wish. If a shareholder appoints more than one proxy, such proxies shall only exercise the right to vote by poll.
5. Shareholders or their proxies should produce proof of identity when attending the EGM. If a Shareholder is a legal entity, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the EGM by producing a notarially certified copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the EGM.
6. If Shares are held by joint holders, any such person may vote in person or by proxy at the EGM or at any adjourned meeting thereof, in respect of such Shares as if he/she was solely entitled thereto; whereas when two or more joint holders attend the EGM in person or by proxy(ies), only the person whose name appears first in the register of members in respect of such Shares shall alone be entitled to vote in respect thereof.
7. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the EGM in person are responsible for their own transportation and accommodation expenses.
8. Contact information of the Company  
  
Address: No. 66 Changwa Middle Street, Haidian District, Beijing, China  
(For the attention of the Joint Company Secretary)  
Tel: +86 10 68411265  
Fax: +86 10 68512374  
Email: ir@circ.com.cn
9. References to dates and times in this notice are to Hong Kong dates and times.