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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)

ANNOUNCEMENT CONNECTED TRANSACTION

Entering into the Investment Agreement regarding the Establishment of CNNC Qinshan Isotope Co., Ltd.

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On 31 December 2021, the Company entered into the Investment Agreement regarding the establishment of CNNC Qinshan Isotope Co., Ltd. with CNNC Nuclear Power Operation Management Company and Haiyan State-owned Assets Investment Company.

As at the date of this announcement, CNNC, which directly and indirectly holds approximately 73.83% of the total issued share capital of the Company through Atomic Energy Institute, Nuclear Power Institute, CNNC Fund, 404 Company and B.Y. Investment, is the controlling shareholder of the Company. CNNC holds 64.11% equity interest in China National Nuclear Power Co., Ltd, which holds 100% equity interest in CNNC Nuclear Operation Management Company. Therefore, CNNC Nuclear Operation Management Company is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into the Investment Agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios for the transaction under the Investment Agreement exceed 0.1% but are less than 5%, the transaction contemplated thereunder is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Investment Agreement are determined after arm's length negotiation on normal commercial terms, and the transaction contemplated thereunder is fair and reasonable. The Investment Agreement has been entered into in the ordinary and usual business of the Group, and is in the interests of the Company and the Shareholders as a whole.

I. Introduction

On 31 December 2021, the Company entered into the Investment Agreement regarding the establishment of CNNC Qinshan Isotope Co., Ltd. with CNNC Nuclear Operation Management Company and Haiyan State-owned Assets Investment Company.

II. Principal terms of the Investment Agreement

Parties:	The Company CNNC Nuclear Operation Management Company Haiyan State-owned Assets Investment Company
Name of the Joint Venture Company:	CNNC Qinshan Isotope Co., Ltd., the final name shall be the name approved by the registration authority.
Place of registration:	Haiyan County, Jiaxing City, Zhejiang Province
Amount of capital contribution:	The registered capital of the Joint Venture Company is RMB200 million, of which, the Company contributes RMB94 million, accounting for 47% of the registered capital; CNNC Nuclear Operation Management Company contributes RMB90 million, accounting for 45% of the registered capital; and Haiyan State-owned Assets Investment Company contributes RMB16 million, accounting for 8% of the registered capital. The contribution to the Joint Venture Company was determined after arm's length negotiations between the parties with reference to the capital requirements of the Joint Venture Company. The Company intends to finance its capital contribution through the Group's internal resources. The Company will not consolidate the financial statements of the Joint Venture Company.
Method for capital contribution:	All shareholders shall make contribution to the Joint Venture Company in RMB in cash. The paid-in capital contribution shall be made synchronously and proportionally by 31 December 2023 based on the production and operation needs of the Joint Venture Company. The initial 20% of the capital contribution shall be paid within 45 days after the establishment of the Joint Venture Company, and the following 30% of the capital contribution shall be paid before 31 December 2022.

Purpose and scope of business of the Joint Venture Company:	To engage in research and development of isotope production technology, transformation of scientific and technological achievements, as well as production and sales of products. The scope of business includes scientific research, production and sales of radioisotopes, special equipment and experimental analysis instruments and equipment and the relevant technical services, as well as development of products used for related isotope back-end applications and the relevant technical services, etc.
The term of operation of the Joint Venture Company:	Permanent
Transfer and pledge of equity:	<p>All shareholders may transfer all or part of their capital contribution to each other. Any transfer of equity by a party to a third party other than a shareholder shall be subject to the consent of a majority of the other shareholders, except the transfer of all or part of the equity by a shareholder to its wholly-owned or controlled subsidiary, parent company, or a wholly-owned or controlled subsidiary of such parent company. If there is no reply within thirty (30) days from the date of the written notice, it shall be deemed to have agreed to the transfer. The party that does not agree to the transfer shall purchase the transferred equity; if it does not make any purchase, it shall be deemed to have agreed to the transfer. Other shareholders have a preemptive right under the same conditions for the equity agreed to be transferred.</p> <p>During the operation of the Joint Venture Company, without the prior written consent from a majority of the other shareholders, a party shall not pledge, mortgage or dispose in any method of all or part of its capital contribution in the Joint Venture Company to a third party other than the shareholders, unless otherwise provided by law or agreed in the Investment Agreement. If a party pledges all or part of its capital contribution in the Joint Venture Company to a third party other than the shareholders of the Joint Venture Company, in addition to obtaining the prior written consent from a majority of the other shareholders, the party shall ensure that it has expressly agreed in the equity pledge agreement to be signed that the other shareholders shall have a preemptive right under the same circumstances when the equity of the Joint Venture Company pledged by it is disposed of for any reason.</p>

The Company shall not transfer the equity in the Joint Venture Company to any external parties during the period when either or both of CNNC Nuclear Operation Management Company and Haiyan State-owned Assets Investment Company hold the equity in the Joint Venture Company.

Obligations of each shareholder: Haiyan State-owned Assets Investment Company has the obligation to give full play to its own advantages and actively coordinate with the local government authorities to provide support, assistance and convenience for the project company to handle various approval, permission or filing procedures required for the establishment and operation of the project company, including but not limited to project establishment, planning, land, environmental protection, fire protection, safety in production, water, electricity, health and sanitation, etc.

Non-competition commitment. The separation and purification of isotopes including C-14 (irradiation production), I-131, Sr-89, Co-60, Mo-99, Ir-192, as well as the research and development, production and sales of back-end application products, the cooperation between the Company and CNNC Nuclear Operation Management Company is exclusive, and during the period of negotiation and investment cooperation between the two parties, neither party shall conduct cooperative negotiation with any other third party within the scope of the same project. In addition to the aforementioned nuclides, both the Company and CNNC Nuclear Operation Management Company shall have the right to choose to cooperate with third parties; however, the other party shall be given the option to participate in the cooperation on its priorities under the same conditions.

The Company has the obligation to clarify the business boundary between itself and the Joint Venture Company, and to ensure that the Joint Venture Company can meet the regulatory requirements of the CSRC and the stock exchange regarding inter-sector competition and connected transactions within five years after its establishment, and that it is independent of each other in terms of assets, finance and institutions, that there is no cross – appointment of senior management and financial personnel, that there are no other serious deficiencies in terms of independence, and that it can meet the regulatory requirements regarding the spin-off listing both within and outside the PRC.

Voting rights of shareholders:

Except for the provisions of the Company Law of the PRC, the following matters of the Joint Venture Company must be approved by at least 2/3 of the voting rights held by all shareholders of the Company before a resolution may be reached. Among them, in case of any transaction (including but not limited to purchase or sale of products, provision or acceptance of labor services, foreign investment, provision of guarantee, acquisition or disposal of assets, and assumption of debts) between the project company and the shareholders or their associates and their respective directors, senior management and staff (“**connected transactions**”), the connected shareholders shall abstain from voting on the matter (except for the connected transactions between the project company and CNNC Nuclear Operation Management Company or other associates of CNNC Nuclear Operation Management Company except the Company:

- (i) merger, division, liquidation, dissolution or termination of business operations in any form;
- (ii) material contracts with an amount in excess of RMB10 million (in the case of connected transactions, in excess of RMB5 million);
- (iii) resolutions to amend the articles of association, increase or decrease the registered capital, as well as merger, division, dissolution and change of form or its main business;
- (iv) an increase or decrease in the size of the Board of Directors;
- (v) the transfer of the project company and the main business of the project company as a whole, and the leasing, entrusting management or contracting of the project company and its main business as a whole in any form;
- (vi) distribution of dividends, repurchase and redemption of shares, and the creation or exercise of any liquidation priorities; plans for the next round of financing to be undertaken by the project company; consideration and approval of the listing proposal, including the time, place and price of the listing;
- (vii) approval of any equity-based investments other than the main business of the project company, and the transfer, disposition or creation of encumbrances thereon;

(viii) other matters as provided in the Investment Agreement or the Articles of Association.

Board of Directors: the Board of Directors consists of nine directors. Among them, four are nominated by the Company, three are nominated by CNNC Nuclear Operation Management Company, and one is nominated by Haiyan State-owned Assets Investment Company. There will be one employee director who shall be democratically elected by the employee representative general meeting, the employee general meeting or through other forms after the Party committee considers and approves. The Board of Directors shall have one chairman who is elected by the Board of Directors from among the directors nominated by the Company, and the chairman shall be the legal representative of the Company. The Board of Directors shall have one vice chairman, who shall be a director nominated by CNNC Nuclear Power Operation Management Company.

The following matters involving the Joint Venture Company shall be agreed by more than two-thirds of all the directors of the Joint Venture Company:

- (i) to draw up a proposal for changes in the articles of association, and to draw up a proposal for changes in the name, registered capital and shareholding structure;
- (ii) to draw up proposals for the merger, division, termination, dissolution, liquidation, filing for bankruptcy, bankruptcy protection, initial public offering of shares or similar transactions, and to draw up proposals for increasing or reducing the registered capital, changing the form, restructuring, reorganization (including reorganizations in the form of variable interest entity (VIEs)), etc.;
- (iii) to draw up a proposal for the issuance of any securities (including, but not limited to, equity, class share certificates, debt securities), or to draw up a plan that will materially and adversely affect the corresponding rights and entitlements enjoyed by the equity held by CNNC Nuclear Operation Management Company;
- (iv) to formulate or modify the dividend policy, make or alter the decisions on dividend, or otherwise distribute funds;
- (v) to engage in any investment in securities, futures or other financial derivatives;

- (vi) to approve or change the size, allocation of seats and powers of special committees (if any) under the Board of Directors;
- (vii) to deliberate the resolutions of shareholders' general meeting that need to be passed by more than 2/3 of all shareholders by way of a special resolution (such resolutions can only be submitted to the shareholders' general meeting for voting after being passed);
- (viii) material contracts with an amount in excess of RMB10 million or more, and the connected transactions other than those to be considered and decided by the shareholders at a shareholders' general meeting;
- (ix) engaging or replacing an accounting firm that conducts annual audits;
- (x) other matters as provided for in the articles of association.

Decisions made by the Board of Directors on the other matters under consideration shall be valid only if they are approved by more than half of all directors.

Board of Supervisors: the Board of Supervisors comprises three members. Among them, shareholders shall elect one supervisor from the candidates nominated by each of the Company and CNNC Nuclear Operation Management Company at a shareholders' general meeting. One employee supervisor shall be democratically elected by the employee representative general meeting, the employee general meeting or through other forms. The Board of Supervisors shall have one chairman, who shall be nominated by CNNC Nuclear Operation Management Company and elected by a majority of all supervisors.

Operation and management organization: the Joint Venture Company shall have one general manager, who shall be nominated by CNNC Nuclear Operation Management Company, and the Board of Directors shall decide on its appointment or dismissal. The Company shall have several deputy general managers and one chief financial officer, who shall be nominated by the general manager, and be appointed or dismissed by the Board of Directors. Among them, the chief financial officer shall be a person recommended by the Company.

Applicable law:	The Investment Agreement is governed by the laws of the PRC.
Dispute resolution:	The parties shall submit the dispute to the Shanghai Arbitration Commission for arbitration in Shanghai in accordance with the arbitration rules of the Commission.

The terms of the Investment Agreement have been determined after arm's length negotiations between the parties.

III. Reasons for and benefits of entering into the Investment Agreement

Through the establishment of the Joint Venture Company, the Company will complete the construction of the nuclide production line and isotope labeling center in the coming 5-15 years, build an industrial base for mass-produced and domestic radioisotopes and related applications of isotope products featuring high-standard, high-quality and internationally advanced, and realize the mass production of C-14, Sr-89, I-131, Lu-177 nuclide and Co-60 radioactive sources, in ways that solve "bottleneck" problems that domestic isotope products rely heavily on imports, and achieve the production transfer and technological improvement of domestic industrial cobalt sources, thus becoming a leader in the domestic radioisotope and related applications of isotope products. The Joint Venture Company, Ltd. will make its presence in both domestic and international markets and develop into a supplier of overall solutions for nuclear technology applications in the fields of domestic and foreign industry, agriculture, medicine, and scientific research.

IV. Implications of the Listing Rules

As at the date of this announcement, CNNC, which directly and indirectly holds approximately 73.83% of the total issued share capital of the Company through Atomic Energy Institute, Nuclear Power Institute, CNNC Fund, 404 Company and B.Y. Investment, is the controlling shareholder of the Company. CNNC holds 64.11% equity interest in China National Nuclear Power Co., Ltd, which holds 100% equity interest in CNNC Nuclear Operation Management Company. Therefore, CNNC Nuclear Operation Management Company is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into the Investment Agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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V. General information about the Company and the parties

The Company

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

CNNC Nuclear Operation Management Company

CNNC Nuclear Operation Management Company is committed to nuclear power operation, management and related technical services. Its controlling shareholder is China National Nuclear Power Co., Ltd.

Haiyan State-owned Assets Investment Company

Haiyan State-owned Assets Investment Company is mainly engaged in the investment operation and management of the Haiyan County Government Industry Guidance Fund.

Definitions

In this announcement, unless the context otherwise requires, the following terms and expressions have the meanings set forth below :

“Board”	the board of Directors
“CNNC”	China National Nuclear Corporation (中國核工業集團有限公司, previously known as “中國核工業集團公司”), a company established under the laws of the PRC on 29 June 1999, the controlling Shareholder
“CNNC Nuclear Power Operation Management Company”	CNNC Nuclear Power Operation Management Co., Ltd. (中核核電運行管理有限公司), a company established under the laws of the PRC
“Company”	China Isotope & Radiation Corporation (中國同輻股份有限公司)
“connected persons”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“Haiyan State-owned Assets Investment Company”	Haiyan County State-owned Assets Investment Co., Ltd.(海鹽縣國有資本投資有限公司), a company established under the laws of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Investment Agreement”	the Investment Agreement regarding the Establishment of CNNC Qinshan Isotope Co., Ltd.
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Joint Venture Company”	CNNC Qinshan Isotope Co., Ltd., the final name shall be the name approved by the registration authority

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

Beijing, the PRC, 31 December 2021

As at the date of this announcement, 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.