

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



## **CHINA ISOTOPE & RADIATION CORPORATION**

**中國同輻股份有限公司**

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

**(Stock Code: 1763)**

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

Reference is made to the announcement dated 30 November 2020 in relation to, among the others, the renewal of the Cobalt-60 Supply Agreement.

#### **REVISION OF ANNUAL CAPS UNDER THE COBALT-60 SUPPLY AGREEMENT**

The Board has passed a resolution on 19 April 2022 to revise the annual caps of for the years ended 31 December 2022 and 31 December 2023 under the Cobalt-60 Supply Agreement.

The Directors, including the independent non-executive Directors, are of the view that the revision of annual caps under the Cobalt-60 Supply Agreement are determined after arm's length negotiations on normal commercial terms, are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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

As at the date of this announcement, CNNC is our controlling shareholder, holding 73.83% of our issued share capital directly or indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The Company and CNNC (through one of its subsidiary) hold 51% and 49% equity interests in CNNC Tongxing, respectively. Therefore, CNNC Tongxing and its associates will constitute connected subsidiaries of the Company pursuant to Chapter 14A.16 of the Listing Rules. Therefore, the transactions under the Cobalt-60 Supply Agreement are continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps for the years ended 31 December 2022 and 31 December 2023 under the Cobalt-60 Supply Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. INTRODUCTION

Reference is made to the announcement dated 30 November 2020 (the “**Original Announcement**”) in relation to, among the others, the renewal of the Cobalt-60 Supply Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Original Announcement.

In relation to the transactions under the Cobalt-60 Supply Agreement, the table below sets out (i) the annual cap and transaction amount for the year ended 31 December 2021, (ii) the original annual cap and the proposed revised annual cap for the year ended 31 December 2022, and (iii) the original annual cap and the proposed revised annual cap for the year ended 31 December 2023.

*Unit: RMB’000*

Year ended 31 December 2021		Year ended 31 December 2022		Year ended 31 December 2023	
<i>Annual cap</i>	<i>Transaction amount (audited)</i>	<i>Original annual cap</i>	<i>Proposed revised annual cap</i>	<i>Original annual cap</i>	<i>Proposed revised annual cap</i>
30,000	275,76	35,000	85,000	40,000	90,000

## 2. REVISION OF THE ANNUAL CAPS UNDER THE COBALT-60 SUPPLY AGREEMENT

The Board has passed a resolution on 19 April 2022 to revise the annual caps for the years ended 31 December 2022 and 31 December 2023 under the Cobalt-60 Supply Agreement.

### **The Cobalt-60 Supply Agreement**

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

CNNC Tongxing (the supplier).

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

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

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

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

### **Reasons for revising the annual caps**

At present, the domestic irradiation disinfection market is in great demand. In response to the development of the irradiation disinfection market, the procurement volume of cobalt sources for the Company's irradiation enterprises in 2022 will increase significantly compared with 2021, with a total volume of about 2.5 million curies. Taking into account factors such as the significantly increased price of cobalt sources resulting from the tight supply of cobalt sources in the world, the increasing operating costs and the operational performance requirements of CNNC Tongxing, the price of CNNC Tongxing's cobalt-60 radioactive sources is planned to be around RMB30 per curie in 2022. The demand for cobalt sources of each irradiation enterprise in 2023 is planned to be basically the same as that in 2022, and the price of cobalt sources in 2023 is planned to be slightly higher than that in 2022. Accordingly, the annual caps for the years ended 31 December 2022 and 31 December 2023 under the Cobalt-60 Supply Agreement will be unable to meet the demand for cobalt-60 radioactive sources derived from the business operation of the Company's radiation enterprises. The annual caps need to be revised to ensure market competitiveness of each of the Company's irradiation enterprises and to promote the development of the Company's irradiation enterprises.

### **Internal control system for continuing connected transactions under the Cobalt-60 Supply Agreement**

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

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

- a) the transactions contemplated under the Agreements are conducted on a non-exclusive basis.
- b) the Company has adopted internal control rules such as Connected Transaction Management Measures.

- c) under the leadership of the Board, the Company has set up a connected transaction leading group headed by the Chief Financial Officer. This connected transaction leading group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions.
- d) each subsidiary of the Group has established the connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this announcement to set the price for each transaction.
- e) under the leadership of the connected transaction leading group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner.
- f) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.
- g) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report to the general meeting of the Company on an annual basis on their performance of duties. Such reports include opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.

- h) the Supervisory Committee supervises the matters relating to the continuing connected transactions. It reviews the annual financial reports and interim financial reports which consist of the implementation of the continuing connected transactions on an annual basis. It also reviews the domestic and overseas compliance of the connected transactions, whether the prices are fair and reasonable and whether there are any acts which are detrimental to the interests of the Company and the Shareholders.
- i) the Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps.
- j) the external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Hong Kong Listing Rules and submits the same to the Stock Exchange.

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

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

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

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

In respect of the Directors attending the board meeting, connected Directors Mr. Meng Yanbin, Mr. Wang Suohui, Mr. Du Jin, Mr. Liu Zhonglin, Mr. Chen Shoulei and Ms. Liu Xiuhong were considered to have material interests by virtue of being employed by CNNC and its associates and had thus abstained from voting on the board resolution(s) in respect of the revision of annual caps under the Cobalt-60 Supply Agreement.

The Directors, including the independent non-executive Directors, are of the view that the revision of annual caps under the Cobalt-60 Supply Agreement are determined after arm's length negotiations on normal commercial terms, are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

## **3. GENERAL INFORMATION**

### **The Company**

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

### **CNNC Tongxing**

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



#### 4. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNNC is our controlling shareholder, holding 73.83% of our issued share capital directly or indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The Company and CNNC (through one of its subsidiary) hold 51% and 49% equity interests in CNNC Tongxing, respectively. Therefore, CNNC Tongxing and its associates will constitute connected subsidiaries of the Company pursuant to Chapter 14A.16 of the Listing Rules. Therefore, the transactions under the Cobalt-60 Supply Agreement are continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps for the years ended 31 December 2022 and 31 December 2023 under the Cobalt-60 Supply Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Beijing, the PRC, 19 April 2022

*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.*