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CHINA ISOTOPE & RADIATION CORPORATION

中國同輻股份有限公司

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

(Stock Code: 1763)

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTION

References are made to the Company's announcement dated 22 April 2020 and circular dated 2 June 2020 in relation to the entering into the Renewed Financial Services Agreement with CNNC.

REVISION OF ANNUAL CAP UNDER THE RENEWED FINANCIAL SERVICES AGREEMENT

The Board has resolved and proposed on 29 July 2022 to revise the annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement during the period from the date of the 2021 Shareholders' general meeting to the date of the 2022 Shareholders' general meeting.

The Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice from the independent financial advisers) are of the view that the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services 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 holds approximately 73.83% of the Company's total issued share capital directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, and is the controlling shareholder of the Company. As such, CNNC and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. Furthermore, when the Company provides entrusted loans to its subsidiaries through CNNCFC, the recipients may include its connected subsidiaries. Therefore, transactions under the Renewed Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios for the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement exceed 5%, such services are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an extraordinary general meeting to consider and, if appropriate, approve the resolution to be proposed and in relation to the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement.

A circular containing, among other things, (i) details of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; (ii) a letter from the Independent Board Committee containing its opinions and recommendations in respect of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; and (iv) a notice of the extraordinary general meeting, is expected to be despatched to the Shareholders on or before 17 August 2022.

1. INTRODUCTION

References are made to the announcement dated 22 April 2020 (the "**Original Announcement**") and the circular dated 2 June 2020 (the "**Original Circular**") of China Isotope & Radiation Corporation (the "**Company**") in relation to the entering into the Renewed Financial Services Agreement with CNNC. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Original Announcements and the Original Circular.

In relation to the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement, the table below sets out (i) the annual cap and actual transaction amount for the period from the date of the 2019 Shareholders' general meeting to the date of the 2020 Shareholders' general meeting, (ii) the annual cap and actual transaction amount for the period from the date of the 2020 Shareholders' general meeting to the date of the 2021 Shareholders' general meeting, and (iii) the original annual cap and the proposed revised annual cap for the period from the date of the 2021 Shareholders' general meeting to the date of the 2022 Shareholders' general meeting.

Unit: RMB'000

The period from the date of the 2019 Shareholders' general meeting to the date of the 2020 Shareholders' general meeting		The period from the date of the 2020 Shareholders' general meeting to the date of the 2021 Shareholders' general meeting		The period from the date of the 2021 Shareholders' general meeting to the date of the 2022 Shareholders' general meeting	
<i>Annual cap</i>	<i>Actual transaction amount (Audited)</i>	<i>Annual cap</i>	<i>Actual transaction amount (Audited)</i>	<i>Original annual cap</i>	<i>Proposed revised annual cap</i>
500,000	154,000	500,000	367,727	500,000	1,000,000

2. REVISION OF ANNUAL CAP UNDER THE RENEWED FINANCIAL SERVICES AGREEMENT

The Board has resolved and proposed on 29 July 2022 to revise the annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement during the period from the date of the 2021 Shareholders' general meeting to the date of the 2022 Shareholders' general meeting.

The Renewed Financial Services Agreement

Parties: the Company (service recipient); and

CNNC (service provider).

Principal Terms: The Company entered into the Existing Financial Services Framework Agreement with CNNC on 28 June 2019, pursuant to which CNNC and/or its associates would provide the Group with, among other things, (i) Deposit Services; (ii) Settlement, Entrusted Loan and Other Financial Services; and (iii) Financial Leasing Services for certain assets used in the operation of the Group.

Term: The Renewed Financial Services Agreement will be effective on 30 June 2020 upon approval of the Independent Shareholders at the upcoming annual general meeting and expire on the date of the 2022 annual general meeting of the Company to be convened in early 2023.

Under the Renewed Financial Services Agreement, CNNC and/or its associates have agreed to provide the Group with the financial services pursuant to the following principal terms:

- a) other than the services provided by CNNC and/or its associates under the Renewed Financial Services Agreement, the Group may obtain financial services from other financial institutions;
- b) any counterparty may not terminate the Renewed Financial Services Agreement unilaterally; and
- c) after the termination of the Renewed Financial Services Agreement, the Group has the right to withdraw its deposits with CNNC and/or its associates immediately.

Pricing Policy: The pricing policy under the Renewed Financial Services Agreement is as follows:

- a) Deposit Services: The deposit interest rates shall not be lower than (i) the deposit interest rates of a similar category of deposit in the same period promulgated by PBOC; or (ii) the public interest rates of a similar category of deposit in the same period provided by major independent commercial banks in the PRC.
- b) Settlement, Entrusted Loan and Other Financial Services: The fees payable to CNNCFC for the settlement, entrusted loan and other financial services will be determined with reference to the market rates of similar services promulgated by PBOC and will be equal to or more favorable than the rates offered by major independent commercial banks in the PRC.
- c) Financial Leasing Services: The financial leasing service fees to be charged by CNNC and/or its associates will be equal to or more favorable than the fees offered by other domestic financial leasing institutions in the PRC.

Conditions Precedent: The Renewed Financial Services Agreement and the proposed caps are renewed subject to the agreement by both parties and approved by the Independent Shareholders at the Company's upcoming annual general meeting.

Reasons for revising the annual cap

The cash at bank and on hand of the Group amounted to approximately RMB2.7 billion as at 31 December 2021, the cash is held by different member companies of the Group. As at 31 December 2021, the Group recorded external bonds and loans amounting to RMB750 million. In order to support the industrial development of the Group as a whole, it is expected to balance the internal circulation of the funds through the entrusted loans through CNNCFC and other channels, so as to provide flexibility to address the financing needs of other member companies of the Group in their operating activities. Therefore, the Company proposes to revise the annual cap to RMB1,000 million.

Internal monitoring procedures regarding the annual cap

- ***Internal measures of the Company***
 - The Company has formulated its rules and regulations, including the Financing Management Measures of China Isotope & Radiation Corporation and the Financial Management System of China Isotope & Radiation Corporation, to safeguard against fund risks, strengthen its internal financial management, regulate financing activities, and meet the capital requirements of its development. The Company has set up a full cycle management system empowered by target assessment and incentive. The Company adheres to the principle of financing at the Group level, and adopts the integrated management system for investment and financing. The Company adheres to the principles of proper scale and reasonable structure, and strikes a balance between costs and risks.
 - When providing entrusted loans to connected persons (whether through CNNCFC or otherwise), the Company will consider the interest rate, processing fees, term and use of loan and credit worthiness of the ultimate borrower, based on principles of reasonable return, cost control and risk control. The entrusted loan agreements (setting out interest rate, processing fees, term and use of loan) are first approved by the finance department of the Company and then submitted to the legal representative for signing and approval. In addition, the finance department of the Company will be responsible for closely monitoring such ongoing continuing connected transactions and will submit matters to the Board for consideration as appropriate.

- At the end of each quarter, the Company will request CNNCFC to provide sufficient information, including various financial indicators such as the status of the Company's deposits and interest income, charges on entrusted loans, as well as annual and interim financial statements, to enable the Company to understand and review the financial condition of CNNCFC. CNNCFC shall notify the Company, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If the Company considers that there is any material adverse change in the financial condition of CNNCFC, the Company will take appropriate measures (including early withdrawal of deposits, termination of entrusted loans and a moratorium on further deposits and entrusted loans) to protect its financial position.
 - The independent non-executive Directors will independently scrutinise the implementation and enforcement of the transactions under the Renewed Financial Services Agreement. Only independent non-executive Directors may vote in respect of matters under the Renewed Financial Services Agreement. If the majority of the independent non-executive Directors reasonably consider that it would be in its interests to reduce the level of deposits with CNNCFC or entrusted loans to connected persons, the Company will take appropriate steps to implement the decision of its independent non – executive Directors. Any material findings in the analysis reports, the views of the independent non-executive Directors on the deposits, loans and entrusted loans under the Renewed Financial Services Agreement (including their views on how the terms of the Renewed Financial Services Agreement have been complied with) and their decisions on any matters in relation thereto will be disclosed in the Company's annual and interim reports.
 - During the Company's annual audit, the Company will engage its auditors to review the connected transactions between the Company and CNNC and/or its associates to ensure that the transactions under the Renewed Financial Services Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements.
 - CNNCFC will provide a quarterly report per the Company's request on the status of its deposits and interest income, charges on entrusted loans so as to enable the Company to monitor and ensure that the relevant annual caps under the Renewed Financial Services Agreement have not been exceeded. The financial head of the Company will monitor the annual caps of connected transactions timely, when it is estimated to reach annual caps, the Company will, at its sole discretion, request to early terminate the entrusted loan to connected persons through CNNCFC.
- ***CNNCFC's measures***
 - In addition to the Company's internal monitoring, CNNCFC will also monitor the balance of the loans, the amount of interest income accrued on loans, and charges on entrusted loans, on a daily basis, to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. They will submit report to the Company on a regular basis per its request to enable the Company to monitor such indicators.

Reasons for and benefits of entering into the Renewed Financial Services Agreement

PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loan must be directed through a regulated financial institution. CNNCFC is a non-banking financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission, and is authorised to provide various kinds of financial services to CNNC and its member companies in the PRC, including deposit-taking and loan services.

CNNCFC, a non-bank financial company and a subsidiary of CNNC, has deep understanding in the industry characteristics, capital structures, business operations, financing need, cash flow patterns and the entire financial management system of the Group through its previous cooperation with the Company. It provides services to the Group on equal or better commercial terms compared to those offered by other external independent commercial banks. In addition, as it is a major clearing and settlement platform of CNNC and its associates, using the services from CNNCFC enables the Company to reduce costs, maximize efficiency and benefit from the capital pool managed by CNNC.

In respect of the Directors attending the board meeting, connected Directors Mr. Wang Suohui, Mr. Du Jin, 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 cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement.

The Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice from the independent financial advisers) are of the view that the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services 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 radio pharmaceuticals and radioactive source products for medical and industrial applications. We also provide irradiation services for sterilisation 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

CNNC was established on 29 June 1999 and is principally engaged in scientific research and development, construction and production operations in nuclear power, nuclear power generation, nuclear fuel, natural uranium, nuclear environmental protection, non-nuclear civilian products, new energy sources, etc.

CNNCFC

CNNCFC was established on 21 July 1997 by CNNC and CNNC's 25 member units, with a registered capital of RMB2,009.6 million. CNNCFC is a non-bank financial institution which strengthens the centralized management of fund within the CNNC group, improves the fund utilization efficiency and the financial management services for CNNC groups' member units.

With respect to the entrustment loan service provided by CNNCFC, CNNCFC only acts as a financial agent to facilitate the Company to provide loans to its subsidiaries. Under PRC laws, the Company is prohibited from lending money directly to its subsidiaries and is required to engage financial institutions to provide entrusted loans. On one hand, during the ordinary business of the Group, from time to time the Company needs to finance its subsidiaries to conduct investments, establish new projects, among others. The use of CNNCFC as a vehicle to make intra-group loans arrangement allows for the more efficient deployment of funds. Compared to other financial institutions, CNNCFC is a safe, flexible and cost-efficient option which may not otherwise be available in the open market. On the other hand, as the Company only provides entrustment loans when the Company has surplus cash, such loans did not in the past, nor are they expected in the future, pose any cash flow pressure on the Company. In addition, as mentioned above, with a deep understanding of the industry characteristics, capital structures, business operations, financing needs, cash flow patterns and the entire financial management system of the Group, CNNCFC is able to provide entrusted loan services to members within the Group on terms no less than, or more favourable than, those available from major commercial banks or independent financial institutions, which enables the Company to reduce costs, maximise efficiency and benefit from the capital pool managed by CNNC.

CNNCFC is subject to the Administrative Measures on Finance Companies within Group Enterprises and other relevant regulations promulgated by the People's Bank of China ("PBOC") and China Banking Regulatory Commission ("CBRC"). The establishment of such non-bank financial institutions is subject to approval by the CBRC and their operation is subject to the ongoing supervision of the CBRC. Non-bank financial institutions shall comply with applicable regulations relating to interest rates issued by the PBOC and the CBRC.

Pursuant to applicable PRC laws and regulations, finance companies within enterprises group are only permitted to provide financial services to enterprises within the group or companies of which more than 20% of the shares are held by the parent company. Therefore, CNNCFC may only provide financial services to members units of the CNNC group (including the Company). As a non-bank financial institution, CNNCFC is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, collateral ratio, long-term investment ratio and deposit reserve thresholds.

The business scope of CNNCFC includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services to members of the CNNC group; (ii) assisting members of the CNNC group in collection and payment of transaction funds; (iii) providing guarantees to members of the group; (iv) providing entrusted loans and entrusted investment services to members of the CNNC group; (v) providing bill acceptance and discount services to members of the CNNC group; (vi) processing the settlement of internal fund transfers among members of the CNNC group and providing solution plans for relevant settlement and clearing; (vii) taking deposits from members of the CNNC group; (viii) providing loan and finance leases to members of the CNNC group; (ix) conducting inter – borrowings among finance companies; (x) issuing corporate bonds; (xi) underwriting the corporate bonds issued by members of the CNNC group; (xii) equity investments in financial institutions; and (xiii) investments in negotiable securities.

4. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNNC holds approximately 73.83% of the Company's total issued share capital directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, and is the controlling shareholder of the Company. As such, CNNC and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. Furthermore, when the Company provides entrusted loans to its subsidiaries through CNNCFC, the recipients may include its connected subsidiaries. Therefore, transactions under the Renewed Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios for the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement exceed 5%, it is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

6. SHAREHOLDERS' GENERAL MEETING

The Company will convene an extraordinary general meeting to consider and, if appropriate, approve the resolution to be proposed and in relation to the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement. As at the date of this announcement, CNNC, directly and indirectly, holds approximately 73.83% of the Company's total issued share capital, and is the controlling shareholder of the Company. CNNC and its associates will therefore abstain from voting on the resolution for the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement at the extraordinary general meeting in which they have material interests. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, none of other Shareholders shall abstain from voting at the extraordinary general meeting.

A circular containing, among other things, (i) details of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; (ii) a letter from the Independent Board Committee containing its opinions and recommendations in respect of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Renewed Financial Services Agreement; and (iv) a notice of the extraordinary general meeting, is expected to be dispatched to the Shareholders on or before 17 August 2022.

By order of the Board
China Isotope & Radiation Corporation
Wang Suohui
Chairman

Beijing, the PRC, 29 July 2022

As at the date of this announcement, the Board comprises Mr. Wang Suohui and Mr. Du Jin as executive Directors; 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.