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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)

**REVISION OF ANNUAL CAP OF CONTINUING
CONNECTED TRANSACTION
PROPOSED APPOINTMENT OF DIRECTORS
PROPOSED APPOINTMENT OF SUPERVISOR
PROPOSED APPOINTMENT OF INTERNATIONAL AUDITOR FOR 2022
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



RAINBOW CAPITAL (HK) LIMITED
滬 博 資 本 有 限 公 司

A letter from the Board is set out on pages 4 to 19 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 10:00 a.m. on Friday, 16 September 2022 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notice of the EGM is set out on pages EGM-1 to EGM-2 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. 10:00 a.m. on 15 September 2022) 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.

23 August 2022

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DEFINITIONS

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

“Board”	the board of Directors
“CNNC”	China National Nuclear Corporation, a company established under the laws of the PRC on 29 June 1999 which holds approximately 73.83% equity interest in the Company and is the controlling Shareholder
“CNNC Tongxing”	CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd. (中核同興(北京)核技術有限公司), a limited liability company incorporated in the PRC. CNNC Tongxing is owned by the Company as to 51% and Qingshan No. 3 Nuclear Power Co., Ltd. (秦山第三核電有限公司) as to 49%. Qingshan No. 3 Nuclear Power Co., Ltd. is ultimately controlled by CNNC
“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
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“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 first extraordinary general meeting of 2022 of the Company to be held at 10:00 a.m. on Friday, 16 September 2022 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, the PRC
“Group”	the Company and its subsidiaries
“Guiyang HTA”	Guiyang HTA Pharmaceutical Co., Ltd. (貴陽原子高科醫藥有限公司), a limited liability company incorporated in the PRC. Guiyang HTA is owned by HTA Co., Ltd. (原子高科股份有限公司) as to 85% and Guizhou Nuclear Industry Xinyuan Industrial Co., Ltd. (貴州核工業新原實業有限責任公司) as to 15%. Guizhou Nuclear Industry Xinyuan Industrial Co., Ltd. is ultimately controlled by CNNC

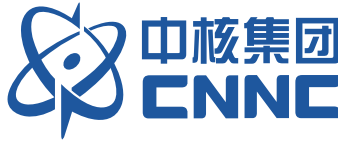
DEFINITIONS

“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
“Hong Kong Listing Rules” or “Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Hui Wan Fai, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang, all being the independent non-executive Directors of the Company
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the entrusted loan under the Renewed Financial Services Agreement and the revision of annual cap of continuing connected transactions
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in favour of the resolution for approving the proposed resolutions under the Listing Rules
“Latest Practicable Date”	18 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Nanchang HTA”	Nanchang HTA Pharmaceutical Co., Ltd. (南昌原子高科醫藥有限公司), a limited liability company incorporated in the PRC. Nanchang HTA is owned by HTA Co., Ltd. (原子高科股份有限公司) as to 70% and Jiangsu Nuclear Industry Economy and Technology Development Co., Ltd. (江西核工業經濟技術開發有限公司) as to 30%. Jiangsu Nuclear Industry Economy and Technology Development Co., Ltd. is ultimately controlled by CNNC

DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented, or otherwise modified from time to time)
“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)
“Shenzhen Headway”	Shenzhen CNNC Headway Bio-Sci & Tech Co., Ltd. (深圳市中核海得威生物科技有限公司), a limited liability company incorporated in the PRC. Shenzhen Headway is owned by the Company as to 34.10%, HTA Co., Ltd. (原子高科股份有限公司) as to 20%, CNNC Sufa Technology Industry Co., Ltd. (中核蘇閥科技實業有限公司) as to 27.9%, Guangzhou Yanghui Consulting and Investment Co., Ltd. (廣州養慧諮詢投資有限公司) as to 14.72% and Chen Shixiong (陳世雄) as to 3.28%. CNNC Sufa Technology Industry Co., Ltd. is ultimately controlled by CNNC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Xinjiang HTA”	Xinjiang HTA Pharmaceutical Co., Ltd. (新疆原子高科醫藥有限公司), a limited liability company incorporated in the PRC. Xinjiang HTA is owned by HTA Co., Ltd. (原子高科股份有限公司) as to 78% and Nuclear Industry Xinjiang Mining and Metallurgy Bureau (核工業新疆礦冶局) as to 22%. Nuclear Industry Xinjiang Mining and Metallurgy Bureau is ultimately controlled by CNNC

LETTER FROM THE BOARD



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. Wang Suohui

Executive Director:

Mr. Du Jin

Non-executive Directors:

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

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

Hong Kong

Dear Shareholders,

Dear Sir/Madam

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTION

PROPOSED APPOINTMENT OF DIRECTORS

PROPOSED APPOINTMENT OF SUPERVISOR

AND

PROPOSED APPOINTMENT OF INTERNATIONAL AUDITOR FOR 2022

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.

LETTER FROM THE BOARD

At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, (i) the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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; (ii) the appointment of Mr. Xu Hongchao as an executive Director; (iii) the appointment of Mr. Dai Shuquan as a non-executive Director; (iv) the appointment of Mr. Liu Zhonglin as a Supervisor; and (v) the non-re-appointment of KPMG as the Company's international auditor, and the appointment of SHINEWING (HK) CPA Limited as its international auditor for 2022.

2. REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTION

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 the Company in relation to the entering into the Renewed Financial Services Agreement with CNNC. Unless otherwise defined, capitalised terms used in this Circular 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>Actual transaction amount</i>		<i>Actual transaction amount</i>	<i>Original annual cap</i>	<i>Proposed revised annual cap</i>
<i>Annual cap</i>	<i>(Audited)</i>	<i>Annual cap</i>	<i>(Audited)</i>	<i>annual cap</i>	<i>annual cap</i>
500,000	154,000	500,000	367,727	500,000	1,000,000

LETTER FROM THE BOARD

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.

When the Company provides entrusted loans to its subsidiaries through CNNCFC, the recipients may include its connected subsidiaries (but not to any connected persons other than connected subsidiaries). The connected subsidiaries include CNNC Tongxing, Shenzhen Headway, Nanchang HTA, Guiyang HTA and Xinjiang HTA.

Term: The Renewed Financial Services Agreement were 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.

LETTER FROM THE BOARD

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. The interest rates of the Entrusted Loan shall not be lower than (i) the loan interest rates of a similar category of loan in the same period promulgated by PBOC; or (ii) the public interest rates of a similar category of loan in the same period provided 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.

When the Group requires financial leasing service, the Group will obtain at least three quotations from 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 caps

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.

LETTER FROM THE BOARD

Internal monitoring procedures regarding the annual cap

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 an integrated management system on planning, budgeting and assessment. 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.

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 and charges on entrusted loans and rental of financial leasing, 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 subsidiaries, 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.

LETTER FROM THE BOARD

Each of CNNCFC and CNNC Financial Leasing Company will provide a quarterly report per the Company's request on the status of its deposits and interest income, charges on entrusted loans and rental of financial leasing 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. Should the balance at the end of any day exceed the maximum daily balance of deposits and interest income prevailing from time to time, the Company will notify CNNCFC that the exceeded funds will be transferred to the Company's designated bank accounts with an independent commercial bank. The financial head of the Company will also be notified at the same time once the maximum daily balance has been exceeded. the Company will, from time to time at its sole discretion, request for the deposits with CNNCFC and the entrusted loans through CNNCFC to connected persons to be withdrawn or early terminated (either in full or in part) to assess and ensure the liquidity and safety of its deposits and entrusted loans.

In addition to the quarterly report, the Company has implemented internal control measures to make sure the Company will monitor the Group's daily balances with CNNCFC in a timely manner. In particular, the Company's responsible financial person shall check the balances through relevant IT system on daily basis, and promptly report to the Company's financial officer if such daily balances are close to, or likely to exceed the proposed caps.

In addition to the Company's internal monitoring, CNNCFC will also monitor the maximum daily balance of the deposits and interest income (in the case of CNNCFC only), 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 quarterly basis per its request to enable the Company to monitor such indicators.

Internal monitoring procedures regarding the Entrusted Loan

When providing entrusted loans to connected subsidiaries, 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 financial department of the Company will obtain at least three quotations from major independent commercial banks and check the loan interest rates of a similar category of loan in the same period promulgated by PBOC to determine the terms of the entrusted loans to connected subsidiaries. The loan interest rate of the entrusted loan will not be lower, and the fee charged by CNNCFC will not be higher, than quotations from major independent commercial banks obtained. The entrusted loan agreements (setting out interest rate, processing fees charged by CNNCFC, 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.

LETTER FROM THE BOARD

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.

CNNC also has a professional financial leasing service provider, namely CNNC Financial Leasing Company. As CNNC Financial Leasing Company is familiar with the business nature of the Group, the Group is able to obtain financial leasing services from CNNC Financial Leasing Company with ease, and benefit from equal or more favourable fees as compared to those provided by major independent commercial banks.

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 Entrusted Loan under the Renewed Financial Services Agreement and 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 Entrusted Loan under the Renewed Financial Services Agreement and 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 radiopharmaceuticals 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. The ultimate beneficial owner of CNNC is the State-owned Assets Supervision and Administration Commission of the State Council.

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. CNNC directly and indirectly holds 100% equity interest of CNNCFC.

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

LETTER FROM THE BOARD

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.

CNNC Financial Leasing Company

CNNC Financial Leasing Company was established in Pilot Free Trade Zone (Shanghai) on 22 December 2015. It is a sino-foreign leasing company, jointly established by CNNC and other 10 companies, including CNNC Shenzhen Xie He Kong Co. Ltd. (Hong Kong), with registered capital of RMB1 billion. The business scope of CNNC Financial Leasing Company includes: (i) financial leasing; (ii) leasing; (iii) purchase of leased property from domestic and overseas sellers; (iv) treatment of residual value of, and maintenance of, leased property; (v) consultation and guarantee for leasing transactions; and (vi) factoring business associated with principal businesses.

LETTER FROM THE BOARD

4. Implications of the Listing Rules

As at the date of this circular, 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 (but not to any connected persons other than connected subsidiaries). Therefore, transactions under the Renewed Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The provision of entrusted loans to connected subsidiaries also constitutes financial assistance 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 Entrusted Loan under the Renewed Financial Services Agreement and 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 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 Entrusted Loan under the Renewed Financial Services Agreement and 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 circular, 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 Entrusted Loan under the Renewed Financial Services Agreement and 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.

LETTER FROM THE BOARD

3. PROPOSED APPOINTMENT OF DIRECTORS

On 29 July 2022, the Board resolved to propose the appointment of Mr. Xu Hongchao as an executive Director of the third session of the Board of the Company, with a term commencing from the date of approval by the Shareholders' general meeting of the Company to the date on which the term of office of the third session of the Board expires. The Board also resolved to propose the appointment of Mr. Dai Shuquan as a non-executive Director of the third session of the Board of the Company, with a term commencing from the date of approval by the Shareholders' general meeting of the Company to the date on which the term of office of the third session of the Board expires. The above appointments are subject to the approval by the Shareholders at the Shareholders' general meeting and will take effect upon the approval by the Shareholders at the Shareholders' general meeting.

Background of Mr. Xu Hongchao

Mr. Xu Hongchao (許紅超), aged 51, is currently a general manager and a deputy secretary of the party committee of the Company. Before joining the Company, from July 1993 to July 1994, he worked as a trainee of CNNC Sichuan Environmental Protection Engineering Co., Ltd. (中核四川環保工程有限公司). From July 1994 to July 1999, he served as senior staff member and principal staff member of the funding division of the finance bureau of China National Nuclear Company (中國核工業總公司). From July 1999 to November 2008, he successively served as deputy chief of the asset management division of the Investment Operation and Management Department, chief of the general management division of the Policy Research and Reform Department, and chief of the investment division of the Asset Management Department of CNNC. From November 2008 to January 2013, he served as the executive director of CNNC International Limited (中核國際有限公司). He was also the deputy general manager and vice president of China Uranium Corporation Limited (中國國核海外鈾業公司) between August 2010 and January 2013. From January 2013 to July 2016, Mr. Xu served as the deputy general manager of China Nuclear Exchange Energy Co., Ltd. (中核匯能有限公司). From July 2016 to March 2018, he was the deputy general manager of CNNC Baoyuan Asset Holdings Limited (中國中核寶原資產控股有限公司). Mr. Xu served as the deputy general manager of China Baoyuan Investment Co., Ltd. (中國寶原投資有限公司) from March 2018 to May 2022. Since May 2022, he has been serving as the Deputy Secretary of the Party Committee of the Company. Mr. Xu received a Bachelor's Degree in Industrial Management Engineering from Hengyang Institute of Technology, Faculty of Industrial Management Engineering in June 1993, and a Master's Degree in Business Administration from Tsinghua University in June 2001. Mr. Xu is qualified as a senior accountant.

As at the date of this circular, save as disclosed, Mr. Xu Hongchao did not hold any other positions with the Company or other members of the Group, nor did he hold any other directorships in the last three years in public companies the securities of which are listed on any securities markets in Hong Kong or overseas.

LETTER FROM THE BOARD

As at the date of this circular, save as disclosed, Mr. Xu Hongchao did not have any relationships with any Directors, supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571).

Subject to approval from the Shareholders at the Shareholders' general meeting, Mr. Xu Hongchao will enter into a service contract with the Company for a term from the date when the appointment is approved by the Shareholders at the Shareholders' general meeting to the date on which the term of office of the third session of the Board expires, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Xu Hongchao is determined by the Board after considering the recommendations of the remuneration and appraisal committee of the Board in accordance with its terms of reference and taking into account, among other things, his duties and responsibilities.

Save as disclosed, there are no other matters relating to the appointment of Mr. Xu Hongchao that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Background of Mr. Dai Shuquan

Mr. Dai Shuquan (代樹權), aged 56, is currently a member to the Party Committee, chief accountant and general legal counsel of Nuclear Power Institute of China (中國核動力研究設計院) since June 2021. Mr. Dai was an accountant of Hebei Cangzhou Hydrographic Four Team (河北滄州水文四隊) during July 1989 to September 1994. Mr. Dai was an accountant of onsite finance section of the finance division of 812 Plant (八一二廠) from September 1994 to January 1996. Mr. Dai successively served as the vice section chief of finance management section of the finance division of 812 Plant from January 1996 to August 1999; the section chief of onsite finance section of the finance division of 812 Plant from August 1999 to September 2000; the section chief of the planning section of the finance division of 812 Plant from September 2000 to October 2004. He served as the deputy director of the finance and accounting department of China Jianzhong Nuclear Fuel Co., Ltd. (中核建中核燃料元件有限公司) from October 2004 to November 2011. From November 2011 to March 2013, Mr. Dai served as the director of the finance and accounting department of the South Branch of China Nuclear Fuel Co., Ltd. (中核燃料元件有限公司南方分公司). Mr. Dai served as the director of finance and accounting department of China Jianzhong Nuclear Fuel Co., Ltd. from March 2013 to July 2015. Mr. Dai worked as chief accountant of CNNC Sichuan Environmental Protection Engineering Co., Ltd. (中核四川環保工程有限責任公司) from July 2015 to June 2021. Mr. Dai received a Bachelor's Degree in Finance and Accounting from Hebei GEO University (formerly known as Hebei Geography Institute) in June 1989. Mr. Dai is qualified as a senior accountant.

LETTER FROM THE BOARD

As at the date of this circular, save as disclosed, Mr. Dai Shuquan did not hold any other positions with the Company or other members of the Group, nor did he hold any other directorships in the last three years in public companies the securities of which are listed on any securities markets in Hong Kong or overseas.

As at the date of this circular, save as disclosed, Mr. Dai Shuquan did not have any relationships with any Directors, supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571).

Subject to approval from the Shareholders at the Shareholders' general meeting, Mr. Dai Shuquan will enter into a service contract with the Company for a term from the date when the appointment is approved by the Shareholders at the Shareholders' general meeting to the date on which the term of office of the third session of the Board expires, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Dai Shuquan is determined by the Board after considering the recommendations of the remuneration and appraisal committee of the Board in accordance with its terms of reference and taking into account, among other things, his duties and responsibilities.

Save as disclosed, there are no other matters relating to the appointment of Mr. Dai Shuquan that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

4. PROPOSED APPOINTMENT OF SUPERVISOR

On 29 July 2022, the Board of Supervisors of the Company resolved to propose the appointment of Mr. Liu Zhonglin as Supervisor of the third session of the Board of Supervisors of the Company. The above appointment is subject to the approval of the Shareholders at the Shareholders' general meeting and will take effect upon the approval of the Shareholders at the Shareholders' general meeting.

Background of Mr. Liu Zhonglin

Mr. Liu Zhonglin (劉忠林), male, aged 54, is currently a non-executive director of the Company. Before joining the Company, Mr. Liu served as accountant, certified public accountant, deputy chief, chief of the finance division, director of finance and auditing division, deputy chief accountant and chief accountant of the Sixth Design and Research Institute of China Weapon Industry (中國兵器工業第六設計研究院) from July 1990 to November 2010. From November 2010 to July 2012, he served as the chief accountant of China Weapon Industry Northern Engineering Design Institute Co., Ltd. (中國兵器工業北方工程設計研究院有限公司). From July 2012 to July 2015, he served as the chief accountant of Shandong Special Industrial Group (山東特種工業集團有限公司). From July 2015 to May 2021, he served as the chief accountant of CIAE. From May 2021 to March 2022, Mr. Liu served as a member of the Party Committee of CIAE. Mr. Liu has been a Supervisor of the Company since

LETTER FROM THE BOARD

February 2017 to February 2021. From February 2021, he has been a director of the Company. From May 2021, Mr. Liu has been a full-time director of China National Nuclear Corporation. Mr. Liu received a bachelor's degree in Financial Accounting from Shenyang Institute of Technology in July 1990. Mr. Liu is a senior accountant at researcher level, and a PRC certified public accountant.

As at the date of this circular, save as disclosed, Mr. Liu Zhonglin did not hold any other positions with the Company or other members of the Group, nor did he hold any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this circular, save as disclosed, Mr. Liu Zhonglin did not have any relationships with any Directors, supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571).

Subject to approval from the Shareholders at the Shareholders' general meeting, Mr. Liu Zhonglin will enter into a service contract with the Company for a term from the date on which his appointment is approved by the Shareholders at the Shareholders' general meeting to the date on which the term of office of the third session of the Board of Supervisors expires, and he shall be eligible for re-elections and re-appointments upon the expiry of his terms of office. Mr. Liu Zhonglin will not receive any remuneration in respect of his appointment as supervisor.

Save as disclosed, there are no other matters relating to the appointment of Mr. Liu Zhonglin that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

5. PROPOSED APPOINTMENT OF INTERNATIONAL AUDITOR FOR 2022

On 27 July 2021, 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 was approved at the second extraordinary general meeting of 2021 of the Company. Between April and June 2022, in accordance with the internal procurement policy of the Company, the Company organized a public tender to choose an international auditor for another three years starting from 2022. The tendering agency evaluated each bid based on principles of being just, fair and open, and SHINEWING won the bidding.

In accordance with the provisions under the articles of association of China Isotope & Radiation Corporation, the Hong Kong Listing Rules and the Administrative Measures for Issuance and Trading of Corporate Bond, on 29 July 2022, the Board proposes to appoint SHINEWING (HK) CPA Limited as its international auditor for 2022, with an audit fee of RMB1.95 million. Also, the term of KPMG as the Company's international auditor ended on 23 May 2022 which is the date of the AGM of the Company in 2022. KPMG will not be

LETTER FROM THE BOARD

re-appointed as international auditor. The proposal will be submitted to the shareholders' general meeting of the Company for approval. The above procedures are in compliance with the articles of association of the Company.

It was a commercial decision of the Company. Save as disclosed above, as at the date of this circular, there are no other matters that need to be brought to the attention of the shareholders of the Company by the Board of Directors and Audit and Risk Management Committee of the Company.

6. EGM

The Company will convene the EGM at 10:00 a.m. on Friday, 16 September 2022 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notice of the EGM is set out on pages EGM-1 to EGM-2 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. 10:00 a.m. on 15 September 2022) 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.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Renewed Financial Services Agreement and the revision of 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 is required to abstain from voting on the resolution approving such revision at the EGM. As at the Latest Practicable Date, CNNC holds approximately 73.83% equity interest in the Company, and is the controlling Shareholder. As such, CNNC and its associates will abstain from voting on such resolution. Save for CNNC and its associates, to the best knowledge, information and belief of the Director having made all reasonable enquiries, no other Shareholder is required to abstain from voting on such resolution.

7. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 81 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.

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to:

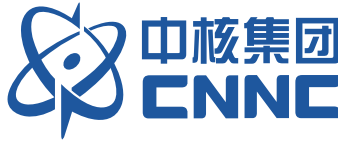
- (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains the recommendation of the Independent Board Committee to the independent Shareholders in relation to whether the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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 are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole; and
- (ii) the letter from Rainbow Capital set out on pages 22 to 37 of this circular which contains its recommendation to the Independent Board Committee and the independent Shareholders in relation to the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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 Board (including the Independent Board Committee after taking into account the advice of Rainbow Capital) 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
Wang Suohui
Chairman

Beijing, the PRC, 23 August 2022



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)

23 August 2022

Dear independent Shareholders,

Dear Sir/Madam

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 23 August 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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 are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Rainbow Capital has been appointed as the Independent Financial Adviser to you and us in relation to the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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. Details of its recommendation are set out in its letter on pages 22 to 37 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 19 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the opinion of Rainbow Capital, the terms of the Entrusted Loan under the Renewed Financial Services Agreement (including the pricing terms) and the revision of the annual cap of the maximum daily outstanding balance of entrusted loans provided by the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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, we consider that the terms of the Entrusted Loan under the Renewed Financial Services Agreement (including the pricing terms) and the revision of 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 are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you to vote in favour of the ordinary resolution set out in the notice of EGM to approve the Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Hui Wan Fai

Mr. Tian Jiahe

Ms. Chen Jingshan

Mr. Lu Chuang

Independent non-executive Directors

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

23 August 2022

To the Independent Board Committee and the Independent Shareholders

China Isotope & Radiation Corporation
5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

Dear Sir or Madam,

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of annual cap of the continuing connected transactions under the renewed financial services agreement (“**Transactions**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 August 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 22 April 2020, the Company entered into the renewed financial services agreement with CNNC (the “**Renewed Financial Services Agreement**”), 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 for a term of three years, until the date of the 2022 Shareholders’ general meeting to be convened in 2023. Based on the amounts of the historical maximum daily outstanding balance of the entrusted loans provided by the Group through CNNCFC, the growth rate and the projected financing needs of member companies of the Group, the Company expects that the relevant existing annual for the period from the date of the 2021 Shareholders’ general meeting to the date of the 2022 Shareholders’ general meeting (the “**2022 Period**”) will not be sufficient to meet the requirements. Hence, 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 for the 2022 Period (the “**Revised Annual Cap**”).

LETTER FROM RAINBOW CAPITAL

As at the Latest Practicable Date, CNNC holds approximately 73.83% of the total issued share capital of the Company and therefore CNNC is the controlling Shareholder. 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 (but not to any connected persons other than connected subsidiaries). Therefore, the transactions contemplated under the Renewed Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The provision of entrusted loans to connected subsidiaries also constitutes financial assistance under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios 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 exceed 5%, it is subject to reporting, announcement, annual review and independent shareholders' approval requirements.

In view of CNNC's interests in the Renewed Financial Services Agreement, CNNC and/or its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the EGM to approve the terms of the Settlement, Entrusted Loan and Other Financial Services under the Renewed Financial Services Agreement (including the pricing terms) and the Revised Annual Cap.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Hui Wan Fai, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang, has been formed to advise the Independent Shareholders in respect of the terms of the Settlement, Entrusted Loan and Other Financial Services under the Renewed Financial Services Agreement (including the pricing terms) and the Revised Annual Cap. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and CNNC that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the major and continuing connected transactions in relation to the Renewed Financial Services Agreement, details of which are set out in the circular of the Company dated 2 June 2020. Other than that, there was no engagement or connection between the Group or CNNC and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Renewed Financial Services Agreement. Accordingly, we are qualified to give independent advice in respect of the Revised Annual Cap.

LETTER FROM RAINBOW CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Settlement, Entrusted Loan and Other Financial Services under the Renewed Financial Services Agreement (including the pricing terms) and the Revised Annual Cap, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Revised Annual Cap

(i) The Group

The Group is primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radiopharmaceuticals and radioactive source products for medical and industrial applications, the provision of irradiation service for sterilization purpose and engineering, procurement and construction services for the design, manufacturing and installation of gamma ray irradiation facilities and the provision of independent clinical laboratory services and nuclear medical equipment to hospitals and other medical institutions.

LETTER FROM RAINBOW CAPITAL

Set out below are certain financial information of the Group for the years ended 31 December 2020 and 2021 as extracted from the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”).

	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	5,143,694	4,274,183
Profit for the year	673,037	475,523
	As at	As at
	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Current assets	6,656,781	5,771,115
Cash at bank and on hand	2,748,190	2,556,493
Current liabilities	3,971,662	2,772,169
Bank loans	118,084	90,220
Corporate bond	499,996	–
Non-current liabilities	470,918	907,513
Bank loans	144,680	72,762
Corporate bond	–	499,784
Total equity attributable to Shareholders	4,179,290	3,891,198

Revenue of the Group increased from approximately RMB4.3 billion for the year ended 31 December 2020 to approximately RMB5.1 billion for the year ended 31 December 2021, which was mainly due to the increase in revenue from the sales of pharmaceuticals. In line with the increase in revenue, net profit also increased from approximately RMB475.5 million for the year ended 31 December 2020 to approximately RMB673.0 million for the year ended 31 December 2021.

The financial position of the Group is healthy. Current assets increased from approximately RMB5.8 billion as at 31 December 2020 to approximately RMB6.7 billion as at 31 December 2021, with cash at bank and on hand of approximately RMB2.7 billion as at 31 December 2021, representing an increase of approximately 7.5% from approximately RMB2.6 billion as at 31 December 2020. Current liabilities increased from approximately RMB2.8 billion as at 31 December 2020 to approximately RMB4.0 billion as at 31 December 2021, which comprised short term bank loans of approximately RMB118.1 million and corporate bond (the “**Corporate Bond**”) of approximately RMB500.0 million reclassified from non-current liabilities to current liabilities as at 31 December 2021 since the Corporate Bond would be due in December 2022. The Group had non-current bank loans of approximately RMB144.7 million as at 31 December 2021. Total equity attributable to Shareholders amounted to approximately RMB4.2 billion as at 31 December 2021.

LETTER FROM RAINBOW CAPITAL

(ii) *CNNC and CNNCFC*

CNNC was established under the laws of the PRC 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. The ultimate beneficial owner of CNNC is the State-owned Assets Supervision and Administration Commission of the State Council.

CNNCFC is a wholly-owned subsidiary of CNNC and a non-bank financial institution established on 21 July 1997 with the approval of the CBRC (in April 2018, China Banking and Insurance Regulatory Commission (“**CBIRC**”) was established by a merger of CBRC and China Insurance Regulatory Commission). CNNCFC is principally engaged in, among other things, the provision of settlement, financing, financial management and financial consulting services to CNNC and/or its associates including the Group.

The banking industry of the PRC is regulated by CBIRC. According to the relevant requirements under the “Measures for the Administration of Finance Companies of Enterprise Group” promulgated by CBIRC (“**Measures**”), finance companies of enterprise groups are not allowed to engage in non-financial services business and are required to meet certain ratio requirements under the measures promulgated by CBIRC.

We are advised by the management of the Group that the regulation imposed on finance companies of enterprise groups such as CNNCFC are no less stringent than the regulations imposed on commercial banks. CBIRC monitors CNNCFC’s compliance with relevant regulators and conducts on-site visits from time to time, and may issue opinions on corrective measures to CNNCFC. Based on our discussion with the management of the Group, other than the above opinions on corrective measures issued by CBIRC from time to time, CBIRC has not taken any disciplinary actions, or imposed penalties or fines on CNNCFC since its incorporation.

We have obtained and reviewed the latest available audited annual report of CNNCFC for the year ended 31 December 2021 and noted that (a) total assets and total equity of CNNCFC amounted to approximately RMB95.8 billion and RMB11.6 billion as at 31 December 2021, respectively; (b) revenue and net profit of CNNCFC amounted to approximately RMB1.9 billion and RMB1.3 billion for the year ended 31 December 2021, respectively; and (c) net interest income amounted to approximately RMB1.4 billion, which represented the principal source of income of CNNCFC for the year ended 31 December 2021.

We have also obtained and reviewed the major regulatory ratios of CNNCFC as at 30 June 2022 such as non-performing loan ratio and capital adequacy ratio, and noted they are all in compliance with the Measures.

LETTER FROM RAINBOW CAPITAL

(iii) Reasons for and benefits of revising the annual cap

As disclosed in the Letter from the Board, the 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 CBIRC, and is authorised to provide various kinds of financial services to the Group. The financial services provided by CNNCFC include Settlement, Entrusted Loan and Other Financial Services which allow member companies of the Group with idle funds to provide intra-group loans to other member companies with financing needs through CNNCFC. Such arrangement helps the Group utilise its cash resource in a more efficient way.

On 22 April 2020, the Company entered into the Renewed Financial Services Agreement, pursuant to which CNNC and/or its associates would provide the Group with, among other things, the Settlement, Entrusted Loan and Other Financial Services for a term of three years, until the date of the 2022 Shareholders' general meeting to be convened in 2023.

As advised by the management of the Group, after taking into account, among other things, (a) the financial position and financing needs of the Company and its subsidiaries including their respective cash and debt position; (b) the amounts of the historical maximum daily outstanding balance of the entrusted loans provided by the Group through CNNCFC under the existing annual cap; and (c) the benefits of utilising the Settlement, Entrusted Loan and Other Financial Services of CNNCFC, the Company considers that the existing annual cap for the Settlement, Entrusted Loan and Other Financial Services for the 2022 Period is unable to satisfy the Group's requirements. Accordingly, on 29 July 2022, the Board has resolved and proposed to revise the existing annual cap for the Settlement, Entrusted Loan and Other Financial Services to meet the Company's demands on entrusted loans provided by the Group through CNNCFC for the 2022 Period.

As stated in the section headed "1. Background to and reasons for the Revised Annual Cap – (i) The Group", cash at bank and on hand of the Group amounted to approximately RMB2.7 billion as at 31 December 2021. As advised by the management of the Group, these cash balances are held by different member companies of the Group and are either placed with commercial banks or CNNCFC for treasury management. 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. The Group considers that it is beneficial to utilise the Settlement, Entrusted Loan and Other Financial Services of CNNCFC, given (a) CNNCFC, being a subsidiary of CNNC and an intra-group service provider only to the members of the CNNC Group, is more familiar with the Group's operations, financing need and cashflow patterns and is therefore in a better position to manage the Group's financing requirements from time-to-time; (b) such services allow member companies of the Group with idle funds to provide intra-group loans to other member companies with financing needs through CNNCFC, which represents a more efficient and secure way to manage the cash within the Group; and (c) 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 favourable than the rates offered by major independent commercial banks in the PRC.

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Based on the above, we consider that the transactions under the Settlement, Entrusted Loan and Other Financial Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. The Renewed Financial Services Agreement

Details of the terms of the Renewed Financial Services Agreement are set out in the Letter from the Board, which are summarised as follows:

- Parties : the Company (service recipient); and
CNNC (service provider).
- Subject Matter : 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.
- When the Company provides entrusted loans to its subsidiaries through CNNCFC, the recipients may include its connected subsidiaries (but not to any connected persons other than connected subsidiaries). The connected subsidiaries include CNNC Tongxing, Shenzhen Headway, Nanchang HTA, Guiyang HTA and Xinjiang HTA.
- Term : The Renewed Financial Services Agreement were effective 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.
- Pricing Policy : The pricing policy under the Renewed Financial Services Agreement is as follows:
- (i) **Deposit Services:** The deposit interest rates shall not be lower than (a) the deposit interest rates of a similar category of deposit in the same period promulgated by PBOC; or (b) the public interest rates of a similar category of deposit in the same period provided by major independent commercial banks in the PRC.

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(ii) **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. The interest rates of the entrusted loan shall not be lower than (a) the loan interest rates of a similar category of loan in the same period promulgated by PBOC; or (b) the public interest rates of a similar category of loan in the same period provided by major independent commercial banks in the PRC.

(iii) **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. When the Group requires financial leasing service, the Group will obtain at least three quotations from other domestic financial leasing institutions in the PRC.

Others : 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:

(i) 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;

(ii) any counterparty may not terminate the Renewed Financial Services Agreement unilaterally; and

(iii) 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.

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.

LETTER FROM RAINBOW CAPITAL

On 29 July 2022, the Board has resolved and proposed to revise the existing annual cap for the Settlement, Entrusted Loan and Other Financial Services to meet the Company's demands on entrusted loans provided by the Group through CNNCFC for the 2022 Period as follows:

	Existing annual cap (RMB'000)	The Revised Annual Cap (RMB'000)
Settlement, Entrusted Loans and Other Financial Services		
(i) Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	500,000	1,000,000
(ii) Service fees for settlement, entrusted loans and other financial services	150	150

The annual cap for the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC is proposed to be revised from RMB500 million to RMB1,000 million, while the annual cap for service fees remains unchanged. Save and except for the Revised Annual Cap, all other terms and conditions under the Renewed Financial Services Agreement shall remain effective and unchanged. For details of the Renewed Financial Services Agreement, please refer to the Letter from the Board.

As stated above, it is stipulated under the pricing policy of the Settlement, Entrusted Loan and Other Financial Services that, (i) the fees payable to CNNCFC for such 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; and (ii) the interest rates of the entrusted loan shall not be lower than (a) the loan interest rates of a similar category of loan in the same period promulgated by PBOC; or (b) the public interest rates of a similar category of loan in the same period provided by major independent commercial banks in the PRC.

The Company will start to implement the following internal monitoring procedures regarding the entrusted loan. As stated in the Letter from the Board, when providing entrusted loans to connected subsidiaries, 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 financial department of the Company will obtain at least three quotations from major independent commercial banks and check the loan interest rates of a similar category of loan in the same period promulgated by PBOC to determine the terms of the entrusted loans to connected subsidiaries. The loan interest rate of the entrusted loan will not be lower, and the fee charged by CNNCFC will not be higher, than quotations obtained from major independent commercial banks. The entrusted loan agreements (setting out interest rate, processing fees charged by CNNCFC, 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.

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In order to assess whether the above internal control procedures are sufficient and effective, we have reviewed the websites of major independent commercial banks and PBOC and noted that these major independent commercial banks' service scope include commercial loans and entrusted loans and the PBOC would also update the loan prime rate on a monthly basis which serves as lending benchmark rate in the PRC. Given (i) major independent commercial banks' service scope includes commercial loans and entrusted loans and therefore they are able to provide relevant quotations to the Company for its reference; (ii) at least three quotations on the service fees and interest rates will be obtained from major independent commercial banks by the finance department of the Company; and (iii) the entrusted loan agreements shall be approved by the finance department and legal representative of the Company after considering the quotations obtained and the loan prime rate, we consider the above internal control procedures are sufficient and effective in ensuring the transactions in relation to the Settlement, Entrusted Loan and Other Financial Services follow the pricing mechanism under the Renewed Financial Services Agreement.

As advised by the management of the Company, the entrusted loans service allows the Company to better utilise the idle funds and generate profit. In this regard, we have obtained, on a random basis, and reviewed eight sample contracts of entrusted loans during the period from 2020 to 2021 (the **"Entrusted Loan Contracts"**), under which the Company provided entrusted loans through CNNCFC to its subsidiaries.

We noted that the interest rates under the Entrusted Loan Contracts all amounted to 4.56%, which are higher than the financing cost of the Company of 3.8%, being the interest rate of the Corporate Bond issued by the Company. As such, we concur with the Directors that the entrusted loans service allows the Company to better utilise the idle funds and generate profit.

Given (i) the Company is familiar with the operating and financial status of its subsidiaries (including connected subsidiaries) and therefore in a better position to manage their financing requirements and conduct risk management; (ii) according to the pricing terms, among others, the loan interest rates of the entrusted loans shall not be lower than the public interest rates of a similar category of loan in the same period provided by major independent commercial banks in the PRC; (iii) sufficient and effective internal control procedures will be in place to implement the pricing terms as discussed above; and (iv) the entrusted loans provided by the Company to its subsidiaries (including connected subsidiaries) allow the Company to better utilise the idle funds and generate profit, we consider that (i) the terms (including the pricing terms) of the Renewed Financial Services Agreement in relation to the Settlement, Entrusted Loan and Other Financial Services are on normal commercial terms which are fair and reasonable; and (ii) the above internal control procedures are sufficient and effective in ensuring the transactions in relation to the Settlement, Entrusted Loan and Other Financial Services follow the pricing mechanism under the Renewed Financial Services Agreement.

3. Internal monitoring procedures regarding the annual cap

In order to protect the interests of the Shareholders, the Group has adopted certain internal control procedures to monitor the utilization of the annual cap, details of which are set out in the section headed "Internal monitoring procedures regarding the annual cap" in the Letter from the Board.

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As stated in the Letter from the Board, 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 and charges on entrusted loans and rental of financial leasing, 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. In this respect, we have obtained and reviewed the quarterly reports provided by CNNCFC for the first two quarters of 2022 and noted that CNNCFC had provided sufficient financial information in the quarterly reports to allow the Company to understand the financial condition of CNNCFC.

In addition to the quarterly report, the Company has implemented internal control measures to ensure that the Company will monitor the Group's daily balance with CNNCFC in a timely manner. In particular, the Company's responsible financial person shall check the balances through relevant IT system on daily basis, and promptly report to the Company's financial officer if such daily balances are close to, or likely to exceed the proposed caps including the Revised Annual Cap. In this respect, we have obtained and reviewed screenshots of the IT system and noted the IT system could present the outstanding balance on a daily basis.

The independent non-executive Directors will independently scrutinise the implementation and enforcement of the transactions 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 subsidiaries, the Company will take appropriate steps to implement the decision of its independent non-executive Directors.

Based on the factors above, we concur with the Directors that the above internal control procedures adopted by the Group are appropriate and sufficient in ensuring the transactions amount will not exceed the proposed caps including the Revised Annual Cap.

4. The Revised Annual Cap

(i) Review of historical figures

On 22 April 2020, the Company entered into the Renewed Financial Services Agreement, pursuant to which CNNC and/or its associates would provide the Group with, among other things, the Settlement, Entrusted Loan and Other Financial Services for a term of three years, until the date of the 2022 Shareholders' general meeting to be convened in 2023.

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Set out below are the historical transaction amounts and the existing annual caps for the period from the date of the 2019 Shareholders' general meeting to the date of the 2020 Shareholders' general meeting ("**2020 Period**") and the period from the date of the 2020 Shareholders' general meeting to the date of the 2021 Shareholders' general meeting ("**2021 Period**").

	Annual cap for 2020 Period (A) (RMB'000)	Actual amount incurred for 2020 Period (B) (RMB'000)	Utilisation rate (B/A)
Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	500,000	154,000	30.8%

	Annual cap for 2021 Period (A) (RMB'000)	Actual amount incurred for 2021 Period (B) (RMB'000)	Utilisation rate (B/A)
Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	500,000	367,727	73.5%

As illustrated in the table above, the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC increased by approximately 138.8% (the "**Recent Growth Rate**") from approximately RMB154.0 million for 2020 Period to approximately RMB367.7 million for 2021 Period. Accordingly, the utilization rate also increased from approximately 30.8% for 2020 Period to approximately 73.5% for 2021 Period. Such increase was mainly due to (a) the increase in cash held by the Group of approximately RMB191.7 million from 31 December 2020 to 31 December 2021; and (b) the increasing financing needs of different member companies of the Group so more entrusted loans were provided. For the benefits of the Settlement, Entrusted Loans and Other Financial Services, please refer to the section headed "1. Background to and reasons for the Revised Annual Cap – (iii) Reasons for and benefits of revising the annual cap" above.

(ii) Assessment of the Revised Annual Cap

The revised annual cap of the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC under the Settlement, Entrusted Loans and Other Financial Services is proposed to be RMB1,000 million for the 2022 Period. As advised by the management of the Group, the Revised Annual Cap is determined after considering (a) the historical transaction amounts and growth rate; and (b) the financing needs of member companies of the Group for the year ending 31 December 2022.

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In assessing the fairness and reasonableness of the Revised Annual Cap, we have reviewed the historical transaction amounts since 2018 when the Company listed on the Main Board of the Stock Exchange.

	Actual amount incurred for the year ended 31 December 2018 <i>(RMB'000)</i>	Actual amount incurred for the year ended 31 December 2019 <i>(RMB'000)</i>	Actual amount incurred for 2020 Period <i>(RMB'000)</i>	Actual amount incurred for 2021 Period <i>(RMB'000)</i>	Compound annual growth rate ("CAGR")
Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	25,500	154,000	154,000	367,727	143.4%
	Actual amount incurred for 2021 period <i>(RMB'000)</i> <i>(A)</i>	CAGR <i>(B)</i>	Estimated transaction amount for the 2022 Period <i>(RMB'000)</i> <i>A*(1+B)</i>	The Revised Annual Cap <i>(RMB'000)</i>	
Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	367,727	143.4%	895,048	1,000,000	

As illustrated in the table above, the actual amount maximum daily outstanding balance increased significantly from approximately RMB25.5 million for the year ended 31 December 2018 to approximately RMB367.7 million for 2021 Period, representing a CAGR of approximately 143.4%. In particular, the Recent Growth Rate recorded approximately 138.8% for 2021 Period. To provide flexibility to the Company and to cater for the increasing financing needs of the member companies of the Group, we consider it is reasonable to adopt the CAGR of approximately 143.4%, which is a long-term historical growth rate and generally consistent with the Recent Growth Rate, to serve as a reference for future potential growth in financing requirements of the member companies of the Group.

Based on (a) the actual amount incurred for 2021 Period of approximately RMB367.7 million; and (b) the CAGR of approximately 143.4% since 2018, the estimated transaction amount for the 2022 Period amounts to approximately RMB895.0 million. A buffer of approximately 12% has been built in to arrive at the Revised Annual Cap of RMB1,000 million to cater for any unexpected demands.

In assessing the fairness and reasonableness of the Revised Annual Cap, we have also considered the financing needs of key member companies of the Group, especially the financing needs of the Company.

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As stated in section headed “1. Background to and reasons for the Revised Annual Cap – (i) The Group”, current liabilities of the Group amounted to approximately RMB4.0 billion as at 31 December 2021, among which the Corporate Bond amounted to approximately RMB500.0 million as at 31 December 2021. The Corporate Bond was issued by the Company in December 2019 and would be due in December 2022. Although the cash at bank and on hand of the Group amounted to approximately RMB2.7 billion as at 31 December 2021, the cash was held by different member companies of the Group. As stated in the 2021 Annual Report, the Company itself only held cash of approximately RMB373 million as at 31 December 2021 and the remaining cash was held by other member companies of the Group.

After taking into account (a) the Corporate Bond of the Company of approximately RMB500 million which would be due in December 2022; (b) the cash held by the Company of approximately RMB373 million as at 31 December 2021; (c) the entrusted loans will not create material additional costs on the consolidated accounts of the Group; and (d) the cash required for the operation of the Company, the Directors consider it would be reasonable for the Company to settle the Corporate Bond with the idle funds from other member companies of the Group. As such, it is estimated that the maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC would increase primarily due to the repayment of the Corporate Bond.

We reviewed the internal records provided by the Group and noted that, the outstanding balance of entrusted loans provided by the Group through CNNCFC amounted to approximately RMB300 million as at 31 March 2022. Given (a) the outstanding amount of RMB300 million as at 31 March 2022; (b) the additional entrusted loan required by the Company for the repayment of the Corporate Bond of approximately RMB500 million; and (c) the flexibility required by the Group to cope with the financing needs of other member companies of the Group in business operations from time to time, it is reasonable to set the Revised Annual Cap at RMB1,000 million.

Taking into account (a) the actual transaction amount of approximately RMB367.7 million for 2021 Period and the CAGR of the actual transaction amount of approximately 143.4% between 2018 and 2021; (b) the outstanding balance of approximately RMB300 million as at 31 March 2022 and the additional financing needs of the Company to repay the Corporate Bond of approximately RMB500 million in December 2022; and (c) the flexibility required by the Group to cope with the financing needs of other member companies of the Group in business operations from time to time, we are of the view that the Revised Annual Cap of RMB1,000 million is fair and reasonable.

5. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;

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- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Transaction involves the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
 - (d) have exceeded the Revised Annual Cap;
- (iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Revised Annual Cap; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Transactions and the Revised Annual Cap not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the transactions under the Settlement, Entrusted Loan and Other Financial Services (including the entrusted loans to connected subsidiaries) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We also consider that the Revised Annual Cap is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves

LETTER FROM RAINBOW CAPITAL

recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the terms of the Settlement, Entrusted Loan and Other Financial Services under the Renewed Financial Services Agreement (including the pricing terms) and the Revised Annual Cap.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

1. 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.

2. DISCLOSURE OF INTEREST

Directors, Supervisors and chief executive of the Company

As at the Latest Practicable Date, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register pursuant to section 336 of SFO:

Shareholder	Class of Shares	Nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of shareholding in the relevant class of Shares %	Approximate percentage of shareholding in the total share capital of our Company %
CNNC ⁽¹⁾	Domestic Shares	Beneficial owner/ Interest of controlled corporation	236,150,233(L)	98.43(L)	73.83
CIAE ⁽¹⁾	Domestic Shares	Beneficial owner	58,534,835(L)	24.40(L)	18.30

APPENDIX I

GENERAL INFORMATION

Shareholder	Class of Shares	Nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of shareholding in the relevant class of Shares %	Approximate percentage of shareholding in the total share capital of our Company %
NPIC ⁽¹⁾	Domestic Shares	Beneficial owner	46,994,835(L)	19.59(L)	14.69
CNNC Fund ⁽¹⁾	Domestic Shares	Beneficial owner	18,779,342(L)	7.83(L)	5.87
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") ⁽²⁾	H SHARES	Interest of controlled corporation	8,906,400(L)	11.14(L)	2.78
Shanghai Industrial Investment Treasury Company Limited ⁽²⁾	H SHARES	Interest of controlled corporation	8,906,400(L)	11.14(L)	2.78
Shanghai Investment Holdings Limited ⁽²⁾	H SHARES	Interest of controlled corporation	8,906,400(L)	11.14(L)	2.78
Shanghai Industrial Holdings Limited ("SIHL") ⁽²⁾	H SHARES	Interest of controlled corporation	8,906,400(L)	11.14(L)	2.78
S.I. Infrastructure (Holdings) Limited ⁽²⁾	H SHARES	Interest of controlled corporation	8,906,400(L)	11.14(L)	2.78
Sure Advance Holdings Limited ("Sure Advance") ⁽²⁾	H SHARES	Beneficial owner	8,906,400(L)	11.14(L)	2.78
Lianwen Ltd ⁽³⁾	H SHARES	Beneficial owner	15,233,400(L)	19.05(L)	4.76
Li Hongbo ⁽³⁾	H SHARES	Interest of controlled corporation	15,233,400(L)	19.05(L)	4.76
China Structural Reform Fund Corporation Limited	H SHARES	Beneficial owner	1,084,400(L)	1.36(L)	0.34
Serenity Capital Management, Ltd. ⁽⁴⁾	H SHARES	Investment manager	4,801,600(L)	6.00(L)	1.50
Serenity Investment Master Fund Limited ⁽⁴⁾	H SHARES	Beneficial owner	4,801,600(L)	6.00(L)	1.50
The Bank of New York Mellon Corporation	H SHARES	Interest of controlled corporation	10,384,422(L) 10,384,422(P)	12.99(L) 12.99(P)	3.25(L) 3.25(P)
Invesco Hong Kong Limited	H SHARES	Investment manager	5,652,000(L)	7.06(L)	1.77
Invesco Corporate Class Inc.	H SHARES	Person having security interest in shares	7,197,600(L)	9.00(L)	2.25
UBS Group AG	H SHARES	Interest of controlled corporation	4,284,300(L)	5.36(L)	1.34

Notes:

1. CNNC directly holds 106,676,903 Domestic Shares of the Company, representing approximately 44.47% of the domestic share capital of our Company. Each of CIAE and NPIC is a public institute controlled and managed by CNNC and holds 58,534,835 and 46,994,835 Domestic Shares, representing approximately 24.40% and 19.59% of the domestic share capital of our Company, respectively. CNNC Fund is a non-wholly-owned subsidiary of CNNC and holds 18,779,342 Domestic Shares, representing approximately 7.83% of the domestic share capital of our Company. Each of CNNC 404 Company Limited ("404 Company") and China Baoyuan Investment Co., Ltd. ("China Baoyuan") is a wholly-owned subsidiary of CNNC and holds

3,755,868 Domestic Shares and 1,408,450 Domestic Shares, respectively, representing approximately 1.57% and 0.59% of the domestic share capital of our Company, respectively. By virtue of the SFO, CNNC is deemed to be interested in the Domestic Shares held by CIAE, NPIC, CNNC Fund, 404 Company and China Baoyuan, which in aggregate representing approximately 98.43% of the domestic share capital of our Company.

2. By virtue of the SFO, SIIC is deemed to be interested in the 8,906,400 H Shares held by Sure Advance a controlled corporation of SIIC. SIIC holds 100% equity interest in Shanghai Industrial Investment Treasury Company Limited, while Shanghai Industrial Investment Treasury Company Limited directly held 100% equity interest in Shanghai Investment Holdings Limited, which in turn holds approximately 55.13% equity interest in SIHL. SIHL directly holds 100% equity interest in S.I. Infrastructure (Holdings) Limited, which directly held 100% equity interest in Sure Advance.
3. Lianwen Ltd is 100% controlled by Li Hongbo. By virtue of the SFO, Li Hongbo is deemed to be interested in the 13,621,600 H shares held by Lianwen Ltd.
4. Serenity Investment Master Fund Limited is 100% controlled by Serenity Capital Management, Ltd. By virtue of the SFO, Serenity Capital Management, Ltd. is deemed to be interested in the 1,084,400 H Shares held by Serenity Investment Master Fund Limited.

Save as disclosed and so far as was known to the Directors, as at the Latest Practicable Date, no other persons (other than the Directors, Supervisors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company which was required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required to be entered in the register kept by the Company pursuant to section 336 of SFO.

Interests in assets or contracts or arrangements significant to the Group

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any asset which has been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at such date and which is significant in relation to the business of the Group.

Service contracts

As at the Latest Practicable Date, there was no existing or proposed service contract (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)) between any of the Directors or Supervisors and any member of the Group.

Competing interest

As at the Latest Practicable Date, none of the Directors or any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete directly or indirectly with the Group's business.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the Independent Financial Adviser who has given its advice for inclusion in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any asset which has been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group.

The letter and recommendation from the Independent Financial Adviser are set out on pages 22 to 37 of this circular and are given for incorporation in this circular.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Company since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

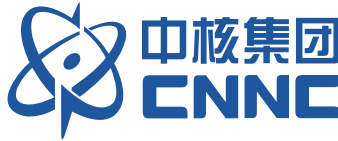
6. DOCUMENTS ON DISPLAY

The following documents will be posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://www.circ.com.cn/>) for at least 14 days from the date of this circular:

- (i) the Renewed Financial Services Agreement;
- (ii) the letter from Rainbow Capital, the text of which is set out on pages 22 to 37 of this circular; and
- (iii) the written consent of Rainbow Capital referred to in the paragraph headed “Expert’s Qualification and Consent” above in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.



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 first extraordinary meeting of 2022 of the Company (the “**EGM**”) will be held at 10:00 a.m. on Friday, 16 September 2022 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 Entrusted Loan under the Renewed Financial Services Agreement and the revision of 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.
2. To consider and approve the appointment of Mr. Xu Hongchao as an executive Director.
3. To consider and approve the appointment of Mr. Dai Shuquan as a non-executive Director.
4. To consider and approve the appointment of Mr. Liu Zhonglin as a Supervisor.
5. To consider and approve the non-re-appointment of KPMG as the Company's international auditor, and the appointment of SHINEWING (HK) CPA Limited as the Company's international auditor for 2022 and to determine its remuneration as RMB1.95 million.

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

Beijing, the PRC, 23 August 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, 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.

Notes:

1. The register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (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 Friday, 16 September 2022 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 Friday, 9 September 2022.
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 10:00 a.m. on Thursday, 15 September 2022) 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.