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CHINA ISOTOPE & RADIATION CORPORATION

中國同輻股份有限公司

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

(Stock Code: 1763)

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTION

References are made to the Company's announcement dated 23 December 2022 in relation to the entering into the Engineering Construction Services Framework Agreement with CNNC.

REVISION OF ANNUAL CAPS UNDER THE ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Board has resolved and proposed on 30 March 2023 to revise the annual caps under the Engineering Construction Services Framework Agreement for the year ended 31 December 2023.

The Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice from the Independent Financial Adviser) are of the view that the revised annual caps under the Engineering Construction Services Framework Agreement are determined after arm's length negotiations on normal commercial terms, are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNNC holds approximately 73.83% of the Company's total issued share capital directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, and is the controlling shareholder of the Company. As such, CNNC and its associates are our connected persons under Chapter 14A of the Listing Rules. Therefore, transactions under the Engineering Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps under the Engineering Construction Services Framework Agreement exceed 5%, the transactions thereunder are subject to the reporting, announcement annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the 2022 annual general meeting to consider and, if appropriate, approve the resolution to be proposed and in relation to the revised annual caps under the Engineering Construction Services Framework Agreement.

A circular containing, among other things, (i) details of the revised caps under the Engineering Construction Services Framework Agreement; (ii) a letter from the Independent Board Committee containing its opinions and recommendations in respect of the revised caps under the Engineering Construction Services Framework Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revised caps under the Engineering Construction Services Framework Agreement; and (iv) a notice of the 2022 annual general meeting, is expected to be dispatched to the Shareholders within 15 business days.

1. INTRODUCTION

References are made to the announcement dated 23 December 2022 (the “**Original Announcement**”) of China Isotope & Radiation Corporation (the “**Company**”) in relation to the entering into of the Engineering Construction Services Framework Agreement with CNNC. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Original Announcement.

In relation to the Engineering Construction Services Framework Agreement, the table below sets out (i) the annual caps for the year ended 31 December 2021 and for the year ended 31 December 2022, and (ii) the annual caps and the proposed revised annual caps for the year ended 31 December 2023.

Unit: RMB'000

Transaction nature	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023	
	Annual caps	Annual caps	Original annual caps	Proposed revised annual caps
Construction Services	80,000	150,000	190,000	600,000
Equipment Services	20,000	40,000	5,000	100,000
Consultation Services	40,000	40,000	5,000	100,000

2. REVISION OF ANNUAL CAPS UNDER THE ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Board has resolved and proposed on 30 March 2023 to revise the annual caps under the Engineering Construction Services Framework Agreement for the year ended 31 December 2023. In respect of the Directors attending the board meeting, connected Directors, namely Mr. Wang Suohui, Mr. Xu Hongchao, Mr. Du Jin, Mr. Chen Shoulei, Mr. Dai Shuquan 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 transaction.

ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Company entered into the Engineering Construction Services Framework Agreement with CNNC on 23 December 2022. The principal terms of the Engineering Construction Services Framework Agreement are set out below:

Parties: CNNC (the supplier); and

The Company (the purchaser).

Principal Terms: The Company and CNNC agreed that CNNC and/or its associates will provide engineering construction services to the Company and its subsidiaries (the “**Group**”) according to the Engineering Construction Services Framework Agreement and on normal commercial terms, including: (i) EPC services and construction services (“**Construction Services**”); (ii) equipment procurement, manufacturing and installation services (“**Equipment Services**”); and (iii) engineering consultation services such as engineering consultation, management and supervision services and survey and design services (“**Consultation Services**”).

Term: Effective from 1 January 2023 and ending on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Pricing Policy: The pricing policy under the Engineering Construction Services Framework Agreement is as follows:

- a) **Construction Services:** contract price of Construction Services: (1) in the case of selecting construction services providers through tendering process, the Company will determine whether the services will be provided by CNNC and/or its associates based on the results of such process, and the contract price shall be the bid-winning price; (2) in the case of selecting construction services providers other than through tendering process, the Company will determine the services will be provided by CNNC and/or its associates after evaluation and review, and the contract price will be determined through negotiations.

- b) Equipment Services: contract price of Equipment Services: (1) in the case of selecting equipment services providers through tendering process, the Company will determine whether the services will be provided by CNNC and/or its associates based on the results of such process, and the contract price shall be the bid-winning price; (2) in the case of selecting equipment services providers other than through tendering process, the Company will determine the services will be provided by CNNC and/or its associates after evaluation and review, and the contract price will be determined through negotiations.
- c) Consultation Services: contract price of Consultation Services: (1) in the case of selecting consultation services providers through tendering process, the Company will determine whether the services will be provided by CNNC and/or its associates based on the results of such process, and the contract price shall be the bid-winning price; (2) in the case of selecting consultation services providers other than through tendering process, the Company will determine the services will be provided by CNNC and/or its associates after evaluation and review, and the contract price will be determined through negotiations.

Reasons for revising the annual caps

Based on the progress of the Company's business, a number of projects such as the Company's radioactive source manufacturing bases, Qinshan isotope production base and Northern China medical base have entered the construction period in 2023. Taking into account the timing of the contract sum payment for the signed contracts of the above projects, the construction progress plan and the recent proposed investment projects, the Company proposes to revise the annual caps for construction services, equipment services and consulting services for the year ended 31 December 2023 to RMB600 million, RMB100 million and RMB100 million, respectively.

Implementation of the Agreement

The Engineering Construction Services Framework Agreement is a framework agreement between the Company and CNNC in connection with the provision of engineering construction services, and does not constitute a specific engineering construction service agreement. The parties will conclude separately specific engineering construction service agreements according to the principles under the Engineering Construction Services Framework Agreement, and determine contents of specific engineering construction services in writing. Subject to terms of the Engineering Construction Services Framework Agreement, all specific engineering construction service agreements shall be concluded on the fair and reasonable basis, and define specific terms and conditions including contents of service, payment and term.

Internal control system for continuing connected transactions under the Engineering Construction Services Framework Agreement

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

For each of Construction Services, Equipment Services and Consultation Services:

- a) where tendering process is necessary under applicable laws, regulations and rules, the Group will organise public tendering process in accordance with our internal tendering rules, including issuing tendering announcement, reviewing qualification of bidders, formulating tendering review committee, bid opening, bid reviewing, public disclosure and bid determination. The Group will consider qualification, experience and bid price of suppliers to decide the bid winner, and will determine the final price based on the results of such process.
- b) where tendering process is not necessary under applicable laws, regulations and rules, the Group will negotiate with CNNC and/or its associates and independent suppliers separately. The prices shall be determined upon negotiation according to the aggregate of the total actual costs for providing the relevant services, reasonable profits and taxes. Where possible, the management will consider at least two comparable transactions with independent suppliers for the same period when determining the reasonable profit of any services under the Engineering Construction Services Framework Agreement.

The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experience. The number of such service providers with relevant qualifications and experience in China is limited, the majority of which are CNNC and/or its associates. The Group will invite qualified CNNC and/or its associates as well as independent suppliers to attend the public tendering process or negotiate with qualified CNNC and/or its associates as well as independent suppliers. The Company has formulated a series of procurement policies to manage procurement process and reduce cost. The tendering process will be managed by the Group to strictly follow the rules and requirements of the Bidding Law of the People's Republic of China, and in the case other than through tendering process, the Group will set up different steps to encourage competition among potential suppliers including CNNC and/or its associates and independent suppliers. CNNC and/or its associates and independent suppliers will be treated fairly.

The Company will regularly contact its suppliers (including CNNC and/or its associates and independent suppliers) to understand the market conditions. The audit and discipline supervision departments will monitor the whole process, and the legal departments of the Group will negotiate contractual terms with suppliers.

Given the Group has established above procurement measures, the Directors consider that the pricing policy under the Engineering Construction Services Framework Agreement can ensure that the transactions will be conducted on normal commercial terms.

Reasons for and benefits of entering into the Engineering Construction Services Framework Agreement

The Group has invested in numerous construction projects in its rapid development course. In particular, as the preliminary work of several base projects has been further preceded recently, such projects will enter the construction stage. The Group will conclude a large number of specific engineering construction service contracts in succession.

The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experiences. There is limited number of such service providers with relevant qualifications and experience in China, and the majority of them are CNNC and/or its associates. Therefore, it is very likely that the Group's engineering construction services will be eventually provided by CNNC and/or its associates regardless how the Group selects engineering construction service providers. In addition, according to the Bidding Law of the People's Republic of China, the tenderer and the successful bidder shall enter into a written contract within 30 days from the date of issuing the letter of acceptance. Therefore, the Company shall enter into a construction service framework agreement in advance and finalize the annual caps.

The Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice from the Independent Financial Adviser) are of the view that the revised annual caps under the Engineering Construction Services Framework Agreement are determined after arm's length negotiations on normal commercial terms, are fair and reasonable and have been entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

3. GENERAL INFORMATION

The Company

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

CNNC

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.

4. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNNC holds approximately 73.83% of the Company's total issued share capital directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, and is the controlling shareholder of the Company. As such, CNNC and its associates are our connected persons under Chapter 14A of the Listing Rules. Therefore, transactions under the Engineering Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) for the revised annual caps under the Engineering Construction Services Framework Agreement exceed 5%, the transactions thereunder are subject to the reporting, announcement annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the revised annual caps under the Engineering Construction Services Framework Agreement. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

6. 2022 ANNUAL GENERAL MEETING

The Company will convene the 2022 annual general meeting to consider and, if appropriate, approve the resolution to be proposed and in relation to the revised annual caps under the Engineering Construction Services Framework Agreement. As at the date of this announcement, CNNC, directly and indirectly, holds approximately 73.83% of the Company's total issued share capital, and is the controlling shareholder of the Company. CNNC and its associates will therefore abstain from voting on the resolution for the revised annual caps under the Engineering Construction Services Framework Agreement at the 2022 annual 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 2022 annual general meeting.

A circular containing, among other things, (i) details of the revised caps under the Engineering Construction Services Framework Agreement; (ii) a letter from the Independent Board Committee containing its opinions and recommendations in respect of the revised caps under the Engineering Construction Services Framework Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revised caps under the Engineering Construction Services Framework Agreement; and (iv) a notice of the 2022 annual general meeting, is expected to be dispatched to the Shareholders within 15 business days.

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

Beijing, the PRC, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Wang Suohui, Mr. Xu Hongchao and Mr. Du Jin as executive Directors; Mr. Chen Shoulei, Mr. Dai Shuquan, 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.