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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)**

### **CONNECTED TRANSACTION WAIVING THE EXERCISE OF PRE-EMPTIVE RIGHT IN THE CAPITAL INCREASE OF CNNC FINANCIAL LEASING COMPANY**

#### **WAIVING THE EXERCISE OF PRE-EMPTIVE RIGHT**

On 31 August 2023, the Company, CNNC Capital, China Nuclear Power, Xinhua Hydropower, the Other Shareholders and CNNC Financial Leasing Company entered into a capital increase agreement, pursuant to which, CNNC Financial Leasing Company intends to increase its capital by RMB1.8 billion, of which, RMB1.0 billion will be contributed by CNNC Capital, RMB0.5 billion will be contributed by China Nuclear Power, RMB0.3 billion will be contributed by Xinhua Hydropower, and the Company as well as the Other Shareholders will not make capital contribution. Upon the completion of the capital increase, the registered capital of CNNC Financial Leasing Company will be increased from RMB3,247,526,100 to RMB4,885,253,300 and the remaining RMB162,272,800 will be recognized in the capital reserves of CNNC Financial Leasing Company. Upon the completion of the capital increase, the Company, CNNC Capital, China Nuclear Power, Xinhua Hydropower and the Other Shareholders will own as to approximately 1.64%, 51.02%, 13.61%, 7.76% and 25.97% equity interests in CNNC Financial Leasing Company, respectively.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of CNNC Financial Leasing Company, shall have priority in subscription for the capital increase of CNNC Financial Leasing Company in proportion to its paid-in capital contributions (unless otherwise agreed by all shareholders), pursuant to which the Company has a pre-emptive right in the capital increase of CNNC Financial Leasing Company.

Considering the transaction background of the capital increase and the overall development plan of the Group, the Company would waive the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company. Upon the completion of the capital increase, CNNC Financial Leasing Company will remain to be an investee company of the Company.

## **LISTING RULES IMPLICATIONS**

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 China Baoyuan, and is the controlling Shareholder of the Company. Since CNNC indirectly holds 89% of the equity interests in CNNC Financial Leasing Company, CNNC Financial Leasing Company is an associate of CNNC and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company exceeds 0.1% but is less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has resolved to approve waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company. Mr. Wang Suohui, Mr. Xu Hongchao, Mr. Du Jin, Mr. Chen Shoulei, Mr. Dai Shuquan and Ms. Liu Xiuhong, the Directors of the Company, had abstained from voting on the relevant Board resolution approving waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of the other Directors of the Company has or is deemed to have a material interest in the transaction of waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company.

### **1. WAIVING THE EXERCISE OF PRE-EMPTIVE RIGHT**

On 31 August 2023, the Company, CNNC Capital, China Nuclear Power, Xinhua Hydropower, the Other Shareholders and CNNC Financial Leasing Company entered into a capital increase agreement, pursuant to which, CNNC Financial Leasing Company intends to increase its capital by RMB1.8 billion, of which, RMB1.0 billion will be contributed by CNNC Capital, RMB0.5 billion will be contributed by China Nuclear Power, RMB0.3 billion will be contributed by Xinhua Hydropower, and the Company as well as the Other Shareholders will not make capital contribution. Upon the completion of the capital increase, the registered capital of CNNC Financial Leasing Company will be increased from RMB3,247,526,100 to RMB4,885,253,300 and the remaining RMB162,272,800 will be recognized in the capital reserves of CNNC Financial Leasing Company. Upon the completion of the capital increase, the Company, CNNC Capital, China Nuclear Power, Xinhua Hydropower and the Other Shareholders will own as to approximately 1.64%, 51.02%, 13.61%, 7.76% and 25.97% equity interests in CNNC Financial Leasing Company, respectively.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of CNNC Financial Leasing Company, shall have priority in subscription for the capital increase of CNNC Financial Leasing Company in proportion to its paid-in capital contributions (unless otherwise agreed by all shareholders), pursuant to which the Company has a pre-emptive right in the capital increase of CNNC Financial Leasing Company.

Considering the transaction background of the capital increase and the overall development plan of the Group, the Company would waive the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company. Upon the completion of the capital increase, CNNC Financial Leasing Company will remain to be an investee company of the Company.

## **2. REASONS FOR AND BENEFITS OF WAIVING THE EXERCISE OF PRE-EMPTIVE RIGHTS**

As at the end of 2022, CNNC Financial Leasing Company's total assets amounted to RMB31.2 billion, the proportion of risk assets in which reached the regulatory leverage ratio of 8 times, limiting its business growth. The insufficiency of capital funds has become the biggest bottleneck for the further development of CNNC Financial Leasing Company at the current stage. The capital increase will improve CNNC Financial Leasing Company's ability to serve the industrial development of CNNC, realizing the long-term strategic development goal of CNNC Financial Leasing Company, strengthening its market competitiveness and comprehensive capabilities, breaking through its development bottlenecks at the current stage, and thus creating greater value for its shareholders.

The Company has operated five business segments, namely pharmaceuticals, radioactive source products, irradiation, radiation therapy equipment and related services, and other businesses and is not engaged in financial investment. In order to further return to its main business, the Company has resolved to waive the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that although waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company is not in the ordinary and usual course of business of the Company, it is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

## **3. GENERAL INFORMATION ON THE PARTIES**

### **The Company**

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

## **CNNC Capital**

CNNC Capital was established in July 2016 and is a wholly-owned subsidiary of CNNC, which is ultimately beneficially owned by State-owned Assets Supervision and Administration Commission of the State Council, with a registered capital of RMB7.08 billion. As a specialized management platform for the financial sector of CNNC, CNNC Capital is positioned as a center of industrial finance risk control, center of industrial finance investment control, center of industrial financial resource allocation and center of industrial finance business collaboration of CNNC.

## **CNNC International HK**

CNNC International HK was established in December 2008 and is a wholly-owned subsidiary of CNNC International Limited, which is a company listed on the Stock Exchange (stock code: 2302) and is indirectly held as to 66.72% by CNNC. The main business scope of CNNC International HK ranges from services to investment.

## **China He Investment Hong Kong**

China He Investment Hong Kong was established in January 2010 and is a wholly-owned subsidiary of CNNC. China He Investment Hong Kong is a platform for domestic and international investment and financing, industrial investment and capital operation. Its investment fields include nuclear technology application, environmental water service, clean energy, financing leasing, commercial factoring, technological innovation, private equity funds and poverty alleviation investment.

## **China Nuclear Power**

China Nuclear Power was established in January 2008 and is a company listed on the Shanghai Stock Exchange (stock code: 601985). CNNC is a controlling shareholder of China Nuclear Power. The business scope of China Nuclear Power includes power generation, transmission and supply business; general equipment repair; sales of intelligent transmission and distribution and control equipment; manufacturing of power transmission, distribution and control equipment; technical service, development, consultation, exchange, transfer and promotion; investment and development of clean energy projects; investment and investment management of power transmission and distribution projects.

## **Xinhua Hydropower**

Xinhua Hydropower was established in November 2009 and CNNC is a controlling shareholder of Xinhua Hydropower. The principal businesses of Xinhua Hydropower cover four major sectors, namely, new energy, energy storage, hydropower and comprehensive smart energy.

## **China Nuclear Uranium**

China Nuclear Uranium was established in November 1995 and is a wholly-owned subsidiary of CNNC. China Nuclear Uranium is the production and operation organization of the geological and mining sector of CNNC, and is a specialized supplier of natural uranium products in China. China Nuclear Uranium is mainly engaged in the exploration and development of domestic and foreign uranium mines and other resources. As the business and profit center of the geological and mining industry of CNNC, China Nuclear Uranium provides uranium resource guarantee for national defense and nuclear power development.

## **CNNC International**

CNNC International was established in March 1996 and is a wholly-owned subsidiary of China National Nuclear. CNNC International serves as a significant support for China National Nuclear to increase capital strength, allocate overseas assets in a reasonable manner, and develop overseas investment and financing capabilities, as well as an important platform to further create synergy in nuclear power market development, trade business, engineering construction as a specialized company and to focus on the overseas market.

## **China National Nuclear**

China National Nuclear was established in April 1983 and is a wholly-owned subsidiary of CNNC. Led by nuclear power business, China National Nuclear delivers diversified businesses covering nuclear fuel, nuclear environmental protection, nuclear technology application, uranium resources, new energy and other sectors to customers across the world.

## **China Nuclear Engineering**

China Nuclear Engineering was established in December 2007 and is a wholly-owned subsidiary of CNNC. China Nuclear Engineering is the only engineering company in China with the research and development and design ability of nuclear power, nuclear chemical engineering and nuclear fuel, as well as with the most complete professional equipment. Its business scope covers preliminary planning, feasibility study, project consulting, environmental assessment, engineering design, equipment procurement, construction management, construction supervision, commissioning implementation and management, technical services, bidding agency and personnel training in relation to the nuclear power business.

## **National Nuclear Puyuan**

National Nuclear Puyuan was established in December 1992 and is a wholly-owned subsidiary of CNNC. National Nuclear Puyuan is a specialized investment and operation company of CNNC specializing in nuclear and non-nuclear equipment, instrument and apparatus manufacturing, technology achievement transformation, bidding and centralized procurement platform service, and international and domestic trade.

## **China Nuclear Energy**

China Nuclear Energy was established in January 1982 and is a wholly-owned subsidiary of CNNC. China Nuclear Energy is mainly engaged in nuclear fuel products (uranium purification and conversion, uranium enrichment, uranium assembly, and special equipment), manufacturing, engineering construction, key technology research and development, and uranium products, nuclear fuel cycle equipment, nuclear power technology and equipment import and export trade.

## **CNNP Rich Energy**

CNNP Rich Energy was established in November 2011 and is held by China Nuclear Power as to 70%. The principal businesses of CNNP Rich Energy include the development, construction, operation and maintenance of wind power, solar power, biomass power, tidal power and thermal power projects; construction and operation of coal-to-gas projects; and investment and development; technical consultation and service.

## **CNNC Financial Leasing Company**

CNNC Financial Leasing Company was established in Pilot Free Trade Zone (Shanghai) on 22 December 2015, 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.

In accordance with the Chinese Accounting Standards for Business Enterprises, net profits (on consolidated basis, before and after taxation) of CNNC Financial Leasing Company for the years ended 31 December 2022 and 2021 are set out below:

	<b>Year ended 31 December 2022 (RMB0'000) (Audited)</b>	Year ended 31 December 2021 (RMB0'000) (Audited)
<i>Net profit before taxation</i>	<b>38,634.15</b>	27,704.28
<i>Net profit after taxation</i>	<b>27,884.21</b>	20,909.24

Based on the audited financial statements prepared by CNNC Financial Leasing Company in accordance with the Chinese Accounting Standards for Business Enterprises, the total assets and net assets of CNNC Financial Leasing Company as at 31 December 2022 were RMB31,242,575,078.52 and RMB3,655,577,721.53, respectively.

The registered capital and shareholding structure of CNNC Financial Leasing Company prior to and following the completion of the capital increase are set out below:

Name of Shareholder	Paid-up Capital (RMB0'000)	Percentage of Shareholding Prior to the Capital Increase (%)	Amount of Contribution under the Capital Increase Agreement (RMB0'000)	Paid-up Capital (RMB0'000)	Percentage of Shareholding following the Capital Increase (%)
CNNC Capital	158,236.54	48.74	100,000.00	249,221.39	51.02
CNNC International HK	36,900.34	11.36		36,900.34	7.55
China He Investment Hong Kong	31,188.15	9.60		31,188.15	6.38
China Nuclear Power	20,990.86	6.46	50,000.00	66,483.28	13.61
China Nuclear Uranium	20,000.00	6.16		20,000.00	4.09
CNNC International	13,099.66	4.03		13,099.66	2.68
Xinhua Hydropower the Company	10,603.97 8,000.00	3.27 2.46	30,000.00	37,899.42 8,000.00	7.76 1.64
China National Nuclear	7,568.56	2.33		7,568.56	1.55
China Nuclear Engineering	7,568.56	2.33		7,568.56	1.55
National Nuclear Puyuan	5,045.70	1.55		5,045.70	1.03
China Nuclear Energy	4,541.13	1.40		4,541.13	0.93
CNNP Rich Energy	1,009.14	0.31		1,009.14	0.21
Total	<u>324,752.61</u>	<u>100.00</u>	<u>180,000.00</u>	<u>488,525.33</u>	<u>100.00</u>

The amount of contribution above was determined after arm's length negotiation among the parties with reference to the growth potential, expansion plans and capital requirements of CNNC Financial Leasing Company's operations.

#### 4. LISTING RULES IMPLICATIONS

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 China Baoyuan, and is the controlling Shareholder of the Company. Since CNNC indirectly holds 89% of the equity interests in CNNC Financial Leasing Company, CNNC Financial Leasing Company is an associate of CNNC and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company exceeds 0.1% but is less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has resolved to approve waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company. Mr. Wang Suohui, Mr. Xu Hongchao, Mr. Du Jin, Mr. Chen Shoulei, Mr. Dai Shuquan and Ms. Liu Xiuhong, the Directors of the Company, had abstained from voting on the relevant Board resolution approving waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of the other Directors of the Company has or is deemed to have a material interest in the transaction of waiving the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company.

#### 5. DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“China He Investment Hong Kong”	China He Investment (Hong Kong) Company Limited (中核投資(香港)有限公司)
“China National Nuclear”	China National Nuclear Corporation Overseas Ltd. (中國中原對外工程有限公司)
“China Nuclear Energy”	China Nuclear Energy Industry Corp. (中國原子能工業有限公司)
“China Nuclear Engineering”	China Nuclear Power Engineering Co., Ltd. (中國核電工程有限公司)

“China Nuclear Power”	China National Nuclear Power Co., Ltd. (中國核能電力股份有限公司)
“China Nuclear Uranium”	China Nuclear Uranium Co., Ltd. (中核鈾業有限責任公司)
“CNNC”	China National Nuclear Corporation (中國核工業集團有限公司, previously known as “中國核工業集團公司”), a company established under the laws of the PRC on 29 June 1999, the controlling Shareholder of the Company
“CNNC Capital”	CNNC Capital Holdings Limited (中國核工業集團資本控股有限公司)
“CNNC Financial Leasing Company”	CNNC Financial Leasing Co., Ltd. (中核融資租賃有限公司), a company established under the laws of the PRC on 22 December 2015 and controlled by CNNC
“CNNC International”	CNNC Overseas International Investment Limited (中原國際投資有限公司)
“CNNC International HK”	CNNC International (HK) Limited (中核國際(香港)有限公司)
“CNNP Rich Energy”	CNNP Rich Energy Co., Ltd. (中核匯能有限公司)
“Company”	China Isotope & Radiation Corporation (中國同輻股份有限公司)
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (subject to revision from time to time)
“National Nuclear Puyuan”	Shanghai National Nuclear Puyuan Corp. (上海中核浦原有限公司)
“Other Shareholders”	CNNC International HK, China He Investment Hong Kong, China Nuclear Uranium, CNNC International, China National Nuclear, China Nuclear Engineering, National Nuclear Puyuan, China Nuclear Energy and CNNP Rich Energy
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Xinhua Hydropower”	Xinhua Hydropower Company Limited (新華水力發電有限公司)
“%”	per cent.

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

Beijing, the PRC, 31 August 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. Ding Jianmin, Ms. Chang Jinyu and Ms. Liu Xiuhong as non-executive Directors; and Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang as independent non-executive Directors.*