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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)

### CONTINUING CONNECTED TRANSACTIONS ENTERING INTO AN ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

#### ENTERING INTO AN ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

China Isotope & Radiation Corporation (the “**Company**”) entered into an engineering construction services framework agreement with China National Nuclear Corporation (“**CNNC**”) on 22 April, 2020 (the “**Engineering Construction Services Framework Agreement**”).

The board of the Company (the “**Board**”) has resolved and approved the Engineering Construction Services Framework Agreement on 22 April 2020. In respect of the Directors attending the board meeting, connected Directors Mr. Zhou Liulai, Mr. Chen Zongyu and Mr. Chen Shoulei 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.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Engineering Construction Services Framework Agreement are determined through arm's length negotiation on normal commercial terms, and the proposed transactions and annual caps thereunder are fair and reasonable, entered into in the ordinary and usual 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, approximately 73.83% of our total issued share capital is held by CNNC, being our controlling Shareholder, directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates will constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, transactions under the Engineering Construction Services Framework Agreement would 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 proposed annual caps of transactions under the Engineering Construction Services Framework Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. ENTERING INTO AN ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Company entered into an Engineering Construction Services Framework Agreement with CNNC on 22 April, 2020. The Board has resolved and approved the Engineering Construction Services Framework Agreement on 22 April 2020. In respect of the Directors attending the board meeting, connected Directors Mr. Zhou Liulai, Mr. Chen Zongyu and Mr. Chen Shoulei 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. 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 the signing date and ending on 31 December 2022, 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 award 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 award 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 award 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.

The Construction Engineering Services Framework Agreement and terms thereof are determined by the parties after arm's length negotiations.

**Proposed annual caps of transactions under the Engineering Construction Services Framework Agreement:**

<b>Nature of transaction</b>	<b>Year ended 31 December 2020 Annual cap (RMB' 000)</b>	<b>Year ended 31 December 2021 Annual cap (RMB' 000)</b>	<b>Year ended 31 December 2022 Annual cap (RMB' 000)</b>
Construction Services	40,000	80,000	150,000
Equipment Services	20,000	20,000	40,000
Consultation services	20,000	40,000	40,000

Pursuant to Rule 14A.81 of the Listing Rules, the services under the Engineering Construction Services Framework Agreement shall be aggregated.

The above proposed annual caps are determined by reference to the Company's expectation on the total investment of engineering projects for the three years ended 31 December 2022.

**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.

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

The Group has invested in many construction projects in its rapid development course. In particular, as the preliminary work of several base projects has been further promoted recently and 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 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. 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 work out annual caps.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Engineering Construction Services Framework Agreement are determined through arm's length negotiation on normal commercial terms, and the proposed transactions and annual caps thereunder are fair and reasonable, entered into in the ordinary and usual business of the Group, and in the interests of the Company and the Shareholders as a whole.

## **2. 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.

### 3. IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, approximately 73.83% of our total issued share capital is held by CNNC, being our controlling Shareholder, directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Therefore, CNNC and its associates will constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, transactions under the Engineering Construction Services Framework Agreement would 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 proposed annual caps of transactions under the Engineering Construction Services Framework Agreement exceed 0.1% but are less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Beijing, the PRC, 22 April 2020

*As at the date of this announcement, the Board comprises Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin, as executive Directors; Mr. Zhou Liulai, Mr. Chen Zongyu, Mr. Chen Shoulei and Ms. Chang Jinyu, as non-executive Directors; and Mr. Guo Qingliang, Mr. Meng Yan, Mr. Hui Wan Fai and Mr. Tian Jiahe, as independent non-executive Directors.*