
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and reply slip 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)

**PROPOSED FINAL DIVIDEND
PROPOSED RE-APPOINTMENT OF AUDITOR
PROPOSED APPOINTMENT OF DIRECTORS
PROPOSED APPOINTMENT OF SUPERVISOR
PROPOSED AMENDMENTS TO THE ARTICLES
PROPOSED CHANGE IN USE OF PROCEEDS
PROPOSED ISSUE OF BONDS
PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES
MAJOR AND CONTINUING CONNECTED TRANSACTIONS
AND
NOTICES OF ANNUAL GENERAL MEETING AND H SHARES CLASS MEETING**

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



A letter from the Board is set out on pages 4 to 22 of this circular. Capitalised terms used on this cover page have the same meanings as defined in this circular.

A notice convening the AGM to be held at 9:30 a.m. on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China is set out on pages N-1 to N-4 of this circular. A notice convening the H Shares Class Meeting to be held at 10:30 a.m. or immediately after the conclusion of the AGM or any adjournment thereof on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China is set out on pages N-5 to N-6 of this circular.

Whether or not you are able to attend the AGM and/or the H Shares Class Meeting, you are advised to read the notices of the AGM and/or the H Shares Class Meeting and to complete and return the enclosed proxy form in accordance with the instructions printed thereon 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, as soon as possible but in any event no later than 24 hours before the time stipulated for convening the AGM and/or the H Shares Class Meeting respectively or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM and/or the H Shares Class Meeting or at any adjourned meeting if you so wish.

If you intend to attend the AGM and/or the H Shares Class Meeting in person or by proxy, you are required to complete and return the enclosed reply slip in accordance with the instructions printed thereon to (in respect of holders of H Shares) the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, or, (in respect of holders of Domestic Shares) the Company's head office and principal place of business in the PRC, on or before Saturday, 8 June, 2019.

References to dates and times in this circular are to Hong Kong dates and times.

14 May 2019

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DEFINITIONS

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

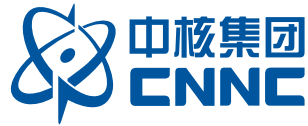
“2018 Financial Services Agreement”	the financial services framework agreement dated 16 June 2018 entered into between the Company and CNNC
“2019 Financial Services Agreement”	the financial services agreement proposed to be entered into between the Company and CNNC to renew the terms of the 2018 Financial Services Agreement
“Administrative Measures”	the Administrative Measures for the Issuance and Trading of Bonds
“AGM”	the annual general meeting of the Company to be held at 9:30 a.m. on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, the PRC
“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Bonds”	the corporate bonds with an aggregate principal amount of not more than RMB500 million (inclusive)
“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
“CNNCFC”	CNNC Finance Company, a company incorporated under the laws of the PRC on 21 July 1997 and a subsidiary of 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
“Company Law”	the Company Law of the PRC
“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
“Final Dividend”	proposed final dividend of RMB0.1226 per Share (inclusive of tax) for the year ended 31 December 2018
“General Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot, issue or deal with additional Shares of not more than (i) 20% of the aggregate nominal value of Domestic Shares and (ii) 20% of the aggregate nominal value of H Shares in issue, each as at the date of passing of the proposed special resolution granting such mandate

DEFINITIONS

“Global Offering”	the global offering of H Shares in July 2018
“Group”	the Company and its subsidiaries
“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
“H Shares Class Meeting”	the class meeting of the Company for holders of H Shares to be held at 10:30 a.m. or immediately after the conclusion of the AGM or any adjournment thereof on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Platinum Securities Company 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 2019 Financial Services Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	14 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Date”	6 July 2018, being the date on which the H Shares were listed and from which dealings therein commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. SL Chen”	Mr. Chen Shoulei
“Mr. ZY Chen”	Mr. Chen Zongyu
“Mr. Zhang”	Mr. Zhang Guoping
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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
“Prospectus”	the prospectus of the Company dated 22 June 2018 in relation to the Global Offering
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Securities Law”	the Securities Law 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company



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. Meng Yanbin

Executive Directors:

Mr. Wu Jian

Mr. Du Jin

Non-executive Director:

Mr. Zhou Liulai

Independent Non-executive Directors:

Mr. Guo Qingliang

Mr. Meng Yan

Mr. Hui Wan Fai

Registered Office

Room 611, 6/F

Fuxingmenwai Street No. A2

Xicheng District

Beijing

PRC

**Head Office and
Principal Place of
Business in the PRC**

No. 1 Nansixiang Sanlihe

Xicheng District

Beijing

PRC

**Principal Place of Business
in Hong Kong**

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Dear Shareholders,

Dear Sir/Madam

**PROPOSED FINAL DIVIDEND
PROPOSED RE-APPOINTMENT OF AUDITOR
PROPOSED APPOINTMENT OF DIRECTORS
PROPOSED APPOINTMENT OF SUPERVISOR
PROPOSED AMENDMENTS TO THE ARTICLES
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NOTICES OF ANNUAL GENERAL MEETING AND
H SHARES CLASS MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular, of which this letter forms a part, is to give you notices of the AGM and the H Shares Class Meeting, and 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 AGM and the H Shares Class Meeting.

At the AGM, ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, (i) the 2018 report of the Board; (ii) the 2018 report of the board of supervisors of the Company; (iii) the 2018 final accounts of the Company; (iv) the 2019 financial budget plan of the Company; (v) the proposed amendments to the rules of procedures for general meetings; (vi) the proposed amendments to the rules of procedures for meetings of the Board; (vii) the proposed amendments to the working rules for independent non-executive Directors; (viii) the proposed Final Dividend; (ix) the proposed re-appointment of KPMG as the Company's auditor; (x) the proposed appointment of each of Mr. SL Chen and Mr. ZY Chen as a non-executive Director; (xi) the proposed appointment of Mr. Zhang as a Supervisor; (xii) the proposed change in use of proceeds from the Global Offering; and (xiii) the entering into of the 2019 Financial Services Agreement and the transactions contemplated thereunder. Special resolutions will be proposed to consider and, if thought fit, approve, among other things, (i) the proposed amendments to the Articles; (ii) the proposed grant of the General Mandate; and (iii) the proposed issue of Bonds. The notice of the AGM is set out on pages N-1 to N-4 of this circular.

At the H Shares Class Meeting, a special resolution will be proposed to consider and, if thought fit, approve the proposed amendments to the Articles. The notice of the H Shares Class Meeting is set out on pages N-5 to N-6 of this circular.

2. PROPOSED FINAL DIVIDEND

(a) Proposed Final Dividend

An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve the declaration and payment of the Final Dividend to Shareholders whose names appear on the register of members of the Company at the close of business on 10 July 2019. The Final Dividend is expected to be paid in RMB to holders of Domestic Shares and in HK\$ to holders of H Shares before 28 August 2019. Dividend payable in HK\$ will be converted from RMB based on the average median price of the exchange rate for HK\$ to RMB as quoted by the PBOC for the five business days immediately preceding the date of the AGM (inclusive).

According to the Enterprise Income Tax Law of the PRC and its implementing rules, which came into effect on 1 January 2008, and other relevant rules, the Company is required to withhold 10% enterprise income tax before distributing the proposed Final Dividend to non-resident enterprise Shareholders whose names appear on the register of members of the Company. Any H Shares registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise Shareholders and therefore will be subject to the withholding of enterprise income tax.

LETTER FROM THE BOARD

According to a circular (Guo Shui Han [2011] No. 348) issued by the state administration of taxation on 28 June 2011, and relevant laws and regulations, if individual holders of H Shares are residents of Hong Kong or Macau or countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will nonetheless withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. In such a case, if the relevant Shareholders would like a refund of the additional amount withheld, the Company will apply for the agreed preferential tax treatment provided that information required by the applicable tax treaty notice(s) is submitted to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or countries which have not entered into any tax treaty with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

The Company assumes no responsibility and will not entertain any claim arising from any delay in, or inaccurate determination of, the tax status or tax treatment of Shareholders or any dispute over tax(es) withheld. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax effects involved in their holding and disposal of H Shares.

(b) Closure of register of members

The register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 10 July 2019 will be entitled to receive the Final Dividend. In order to be entitled to the Final Dividend, 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, for registration no later than 4:30 p.m. on Thursday, 4 July 2019.

3. PROPOSED RE-APPOINTMENT OF AUDITOR

The Board has proposed to re-appoint KPMG as the Company's auditor for the year ending 31 December 2019, for a term of office until the next annual general meeting of the Company. An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve such appointment and authorise the Board to determine its remuneration.

LETTER FROM THE BOARD

4. PROPOSED APPOINTMENT OF DIRECTORS

The Board has proposed to appoint each of Mr. ZY Chen and Mr. SL Chen as a non-executive Director, subject to approval from the Shareholders at the AGM. An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve such appointments. Each of Mr. ZY Chen and Mr. SL Chen's appointment will take effect upon approval from the Shareholders at the AGM.

Biographical details of each of Mr. ZY Chen and Mr. SL Chen are set out in Appendix I to this circular.

5. PROPOSED APPOINTMENT OF SUPERVISOR

The Board has proposed to appoint Mr. Zhang as a Supervisor, subject to approval from the Shareholders at the AGM. An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve such appointment. Mr. Zhang's appointment will take effect upon approval from the Shareholders at the AGM.

Biographical details of Mr. Zhang are set out in Appendix I to this circular.

6. PROPOSED AMENDMENTS TO THE ARTICLES

The Board has proposed to amend the Articles to improve the corporate governance practices of the Company and to better regulate the operations of the Company, in accordance with the relevant requirements of the Company Law and the Listing Rules. A special resolution will be proposed at the AGM and the H Shares Class Meeting to consider and, if thought fit, approve the proposed amendments to the Articles, a summary of which is set out in Appendix II to this circular.

Such amendments to the Articles, insofar as they relate to share repurchase and treasury shares, apply only to repurchases by the Company of its Domestic Shares and not of its H Shares. Repurchases of H Shares by the Company remain subject to the relevant requirements and restrictions under Rules 10.05, 10.06, 19A.24 and 19A.25 of the Listing Rules.

Future repurchases of H Shares (being shares listed on the Stock Exchange) by the Company will comply with the relevant requirements and restrictions under Rules 19A.24 and 19A.25 of the Listing Rules, while future repurchases of Domestic Shares (not being a class of shares listed on any stock exchange) by the Company would not be subject to such requirements and/or restrictions.

Future repurchases of Domestic Shares by the Company will be conducted in accordance with the as-amended Articles and will continue to comply with the rules and regulations of the PRC (including the Mandatory Provisions (as defined in the Listing Rules)). Future repurchases of H Shares by the Company in accordance with the as-amended Articles will continue to comply with the relevant requirements under the Listing Rules (including Rules 10.05, 10.06, 19A.24 and 19A.25 of the Listing Rules) and other rules and regulations of the PRC, where all such repurchases will remain subject to shareholders' approval.

LETTER FROM THE BOARD

7. PROPOSED CHANGE IN USE OF PROCEEDS

The Board has resolved to approve a change in use of the net proceeds from the Global Offering which, after deducting the relevant expenses, amount to approximately HK\$1,690.0 million.

Given that:

- (i) the application of the PRC nuclear technologies become increasingly diverse with broader market space;
- (ii) the penetration rate of the medical application of the PRC nuclear technologies is far lower than that in developed countries, and driven by factors including enhanced health awareness of citizens, increased average lifespan, ageing population and favourable governmental policies, the potential of enhancing the penetration rate becomes prominent and the market demand is expected to grow fast; and
- (iii) due to the accelerated integration of the PRC nuclear technology medical application market, the Group, as the leading enterprise in the industry, urgently needs to supplement its production capability and accelerate the deployment of the upstream resource supply and the downstream application scenarios, in order to fully capture the growth and integration opportunities in the industry, solidify and increase market share, the Group intends to make strategic amendments to the original plan to accelerate strategic investment and merger, optimise the deployment of financial resources and improve the utilisation efficiency of funds.

Based on the aforesaid factors, and after due and careful evaluation of the Group's operation, the Board resolved to change the use of the remaining unutilised proceeds as follows:

- (i) the net proceeds to be used for investment in imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases and for establishment of subsidiaries to produce and distribute technetium-99m-labeled injections and fluorine-18-FDG injection will be reduced to approximately RMB460.0 million, in order to optimise the regional layout of the above production, research and development and distribution facilities, accelerate the construction progress and increase the utilisation efficiency of funds, the scope of site selection for the imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases in North China (North China Base) is to be expanded from Xianghe, Hebei province to the North China region according to the latest strategic planning of the Group;
- (ii) the net proceeds to be used for establishment of new production facilities in Tongcheng, Anhui province will be reduced to approximately RMB50.0 million;

LETTER FROM THE BOARD

- (iii) the net proceeds to be used for investment in the research and development of various imaging diagnostic and therapeutic radiopharmaceuticals, raw materials of radioactive source products, medical radioisotopes, and urea breath test products and related raw materials will be reduced to approximately RMB118.3 million, among them, according to the latest strategic planning of the Group, the Group will become market-oriented and focus on the preparation of radioisotopes, the research and development of nuclide labelled radiopharmaceuticals, the research and development of isotope diagnostic reagents and auxiliary apparatuses and research and development projects in radioactive sources and industrial applications (including without limitation, those disclosed in the Prospectus);
- (iv) the net proceeds to be used for investment/selective acquisition (merger) will increase to approximately RMB536.1 million, which mainly represent strategic, expansionary and complementary investments in the upstream and downstream of the industry, focusing on the deployment of medical equipment, irradiation processing, featured pharmaceuticals, independent testing, diagnostic reagents and therapeutic drugs, industrial application of radioactive sources, accelerators and other fields. The upstream industry in which the Group operates includes nuclide, isotope production & post-treatment, irradiation accelerators, etc. fields, and the downstream application areas are for medical structures, industrial enterprises and research institutions and other clients, and can carry out the businesses including medical equipment, irradiation processing, specialty pharmaceutical, independent testing, diagnostic reagents and therapeutic pharmaceutical, radioactive source industrial applications and accelerators etc.. Under the Company's development strategy of "Becoming Bigger, Stronger and Better", the Company plans to conduct selective investments/acquisitions in attractive sectors within the industry and among participants in the downstream industry chain to supplement the existing businesses, which will help align these investments/acquisitions with the expansion strategy of the Company and increase revenue and profits. The Company will seek for quality targets according to the determined direction of merger and acquisition, and the Company has not identified any potential companies or businesses for acquisitions as at the Latest Practicable Date, due to different types of merger and acquisition targets vary from scale to timing. Therefore, as at the Latest Practicable Date, the Company has not determined the allocation of proceeds among the upstream and downstream of the industry businesses, deployment of medical equipment, irradiation processing, featured pharmaceuticals, independent testing, diagnostic reagents and therapeutic drugs, industrial application of radioactive sources, accelerators and other fields; and has not determined proposed timeline in utilising the net proceeds under the proposed allocations. The Company is actively following up potential targets, and subsequently will carry out the due diligence and agreement signing in due course according to the progress of the projects and will discharge its obligations of disclosure in accordance with the relevant rules of the Stock Exchange; and

LETTER FROM THE BOARD

- (v) the net proceeds to be used for working capital and general corporate purposes will increase to approximately RMB268.1 million, mainly including payment of daily operating expenses, payment of cash dividends to Shareholders and replenishment of working capital of subsidiaries by way of entrusted loans.

(Approximately RMB in millions)

Use	Initial allocation of the net proceeds	Revised allocation of the net proceeds	Amount utilised as of 31 December 2018	Balance of the net proceeds allocated after the proposed change
Investment in imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases	597.3	460.0	—	460.0
Establishment of production and distribution subsidiaries	67.3			
Establishment of new production facilities	84.5	50.0	—	50.0
Investment in the research and development of various imaging diagnostic and therapeutic radiopharmaceuticals, raw materials of radioactive source products, medical radioisotopes, and UBT products and related raw materials	253.6	118.3	—	118.3
Investments/selective (mergers) acquisitions	286.5	536.1	51.4	484.7
Working capital and general corporate purposes	143.3	268.1	71.7	196.4
Total	1,432.5	1,432.5	123.1	1,309.4

The aforesaid changes in the use of the net proceeds from the Global Offering will enable the Company to effectively deploy its financial resources. The Board believes that such changes can be helpful to implement the strategic planning and optimise the utilisation efficiency of funds. The Group will transfer the relevant proceeds to project contractors in forms including investment/selective acquisitions (including without limitation, equity investments, acquisitions and mergers, capital increase, new establishments, etc.) entrusted loans and entrusted research and development.

LETTER FROM THE BOARD

The Board confirms that there are no material changes in the business nature of the Group as disclosed in the Prospectus and believes that the aforesaid changes in the use of the net proceeds from the Global Offering are in the best interest of the Company and the Shareholders as a whole.

An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve the proposed change in use of the net proceeds from the Global Offering.

8. PROPOSED ISSUE OF BONDS

In order to broaden the financing channels of the Company and satisfy its operational and development needs, the Board has resolved to approve the proposed issue of Bonds by the Company, in accordance with the requirements of the Company Law, the Securities Law and the Administrative Measures.

I. Compliance with conditions for the public issuance of corporate bonds to eligible investors

In accordance with the relevant laws and regulations, including the Company Law, the Securities Law and the Administrative Measures and relevant requirements of other regulatory documents, the Company has conducted self-inspection on an item-by-item basis by taking into account the requirements on qualifications and conditions for the public issuance of corporate bonds to qualified investors, and the Company complies with the conditions and requirements of the above laws, regulations and regulatory documents and is qualified to publicly issue corporate bonds to eligible investors.

II. Information on the proposed issue

The principal terms of the proposed issue of Bonds are as follows:

(i) Place and size of issue

The Bonds will be issued by way of public offering in the PRC to qualified investors who satisfy the requirements of the Administrative Measures, in a single tranche or multiple tranches, with an aggregate principal amount of not more than RMB500 million (inclusive). The accumulative balance of the bonds of the Company after the issuance of Bonds will not exceed 40% of the Company's net assets at the end of the most recent period. No Bonds will be placed to Shareholders.

(ii) Term

The Bonds will have a term of not more than three years (inclusive).

(iii) Interest rate

The Bonds are fixed-rate bonds and carry interest at a fixed simple interest rate rather than a compound interest rate, payable semi-yearly or annually. The interest rate will be subject to the market conditions prevailing at the time of issue.

(iv) Guarantee

The Bonds will be unguaranteed.

LETTER FROM THE BOARD

(v) Use of proceeds

The proceeds from the issue of Bonds will primarily be used by the Company to replenish its working capital and for such other purposes as are permitted under the law. The specific use of the proceeds and subsequent changes will be submitted to the general meeting of the Company to authorise the chairman of the Board to determine within the above scope according to the capital requirements of the Company.

(vi) Listing status

Listing of the Bonds will be applied for by the Company with the Shenzhen Stock Exchange or the Shanghai Stock Exchange after their issue. Subject to the approval and permit of the regulatory authorities and the relevant laws and regulations, the Company may also apply for listing and trading of the Bonds issued on other exchanges.

(vii) Protective measures on repayment

If the Company is unable to repay the principal of the Bonds or the interest accrued thereon according to the payment schedule or as and when they fall due, it will:

- (a) not distribute any profits to the Shareholders;
- (b) suspend implementation of capital expenditure projects, such as material external investments or mergers and acquisitions;
- (c) reduce or suspend payment of remuneration and bonus to the Directors and senior management of the Company; and
- (d) not permit the transfer or resignation of key persons-in-charge who are involved with the issue of Bonds.

(viii) Validity of resolution

A special resolution will be proposed at the AGM to consider and, if thought fit, approve the issue of Bonds which will remain valid for a period of 24 months from the date of passing of such resolution.

In order to effectively coordinate the specific matters in the process of the issuance of Bonds, the general meeting of Shareholders is hereby proposed to authorise the chairman of the Board to deal with all matters related to the issuance of Bonds at his sole discretion, in accordance with relevant laws and regulations and the opinions and recommendations of the regulatory authorities, under the principle of approval by the general meeting and maximising the interests of the Company, including but not limited to:

1. formulating and adjusting the detailed issuance plan of Bonds and revising and adjusting the terms of the issuance of Bonds, including but limited to the specific term, category, interest rate and its determination method of the Bonds, issuance timing and arrangement (including whether to issue in tranches and number of each tranche), guarantee arrangements, term and method of repayment of principal and interests, rating arrangement, specific subscription method, specific placing

LETTER FROM THE BOARD

arrangements, whether to set the redemption or resale terms and the specific content, use of proceeds, debt repayment guarantee arrangements (including but not limited to the debt repayment guarantee measures under the issuance scheme), listing of Bonds and all other matters related to the issuance of Bonds, in accordance with the national laws, regulations and relevant requirements of the securities regulatory authorities and the resolutions passed at the general meeting and based on the specific situation of the Company and the bond market;

2. processing the matters related to declaration and listing of Bonds to be issued by the Company;
3. selecting trustee for the Bonds to be issued, signing bond trustee management agreement and formulating rules for bondholders' meeting;
4. preparing, approval, authorising, signing, executing, revising and completing all necessary documents, contracts, agreements (including but not limited to underwriting agreements, bond trustee management agreements, listing agreements and other legal documents) related to the issuance and listing of Bonds, and making relevant supplements and adjustments to the reporting documents according to the requirements of the regulatory authorities;
5. dealing with the matters related to the listing and repayment of principal and interests of the Bonds after the completion of issuance of Bonds;
6. making corresponding adjustments to matters related to public issuance of Bonds and deciding whether to proceed the issuance of Bonds in light of actual situation in accordance with the opinions of regulatory authorities, changes in policies or market conditions, except for matters that requires a separate vote at the general meeting in accordance with relevant laws and regulations and the requirements of the Articles; and
7. handling other matters related to the issuance of the Bonds.

The Company proposed to authorise the chairman of the Board as the authorised person in the issuance of the Bonds to handle the matters related to the issuance of the Bonds in accordance with the resolutions passed at general meeting and the authorisation of the Board. The above authority shall commence from the date of approval of the general meeting of Shareholders and end on the date of completion of the above authorised matters.

LETTER FROM THE BOARD

9. PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES

To ensure that flexibility and discretion are given to the Directors to issue new Shares when they consider appropriate, a special resolution will be proposed at the AGM to consider and, if thought fit, approve the grant of the General Mandate to the Directors to issue, allot and deal with, either separately or concurrently, additional Domestic Shares and/or H Shares representing up to the limit of 20% of each of the total number of the Domestic Shares and/or H Shares respectively in issue as at the date of passing such resolution to grant the General Mandate:

- (a) subject to paragraph (b) below and in accordance with the relevant requirements of the Listing Rules, the Articles and the relevant laws and regulations of the PRC, the exercise by the Board during the Relevant Period (as defined below) of all the powers of the Company to determine and implement specific issue plan, consider and approve the agreements relating to the issue of Shares, consider and approve all documents to be submitted to the relevant authorities and perform all necessary procedures, approve the corresponding increase in the registered capital of the Company, make corresponding amendments to the Articles and complete relevant mandatory registration and filing procedures, and determine other issues relating to the issue of Shares;
- (b) for the purpose of such resolution, “Relevant Period” means the period from (and including) the date of passing of such resolution until whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of the Company following the passing of such relevant resolution at the AGM;
 - (2) the expiration of a 12-month period following the passing of such relevant resolution at the AGM; or
 - (3) the revocation or variation of the given authorisation under such relevant resolution by the passing of a special resolution at the general meeting of the Company; and
- (c) such mandate to the Board to make or grant offer proposals, agreements or options to issue Domestic Shares and/or H Shares shall not extend beyond the Relevant Period, other than in the case of the making or granting of offer proposals, agreements or options by the Board during the Relevant Period which might require the performance or exercise of such powers after the close of the Relevant Period.

As at the Latest Practicable Date, the Company issued 239,906,100 Domestic Shares and 79,968,800 H Shares. Subject to the approval of the resolution in relation to the General Mandate, the Company may allot, issue and deal with up to 47,981,220 Domestic Shares and/or 15,993,760 H Shares (on the basis that the Company will not further issue Domestic Shares and/or H Shares before the AGM).

The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the General Mandate.

LETTER FROM THE BOARD

10. MAJOR AND CONTINUING CONNECTED TRANSACTIONS

2019 Financial Services Agreement

Pursuant to the 2018 Financial Services Agreement, CNNC and/or its associates agreed to provide the Group with, among other things, (i) deposit and related services; (ii) entrusted loan, settlement, foreign exchange and other services; and (iii) financial leasing services for certain assets used by the Group in the course of its operations. The term of the 2018 Financial Services Agreement will expire on 28 June 2019 (being the date of the AGM).

On 29 March 2019, the Board resolved to approve the entering into of the 2019 Financial Services Agreement between the Company (as customer) and CNNC (as supplier), pursuant to which CNNC and/or its associates will provide the Group with the same services as contemplated under the 2018 Financial Services Agreement for a term commencing on the date of the AGM until the date of the next annual general meeting to be convened by the Company in 2020, subject to approval from the independent Shareholders at the AGM. None of the Directors has any material interest in the transactions contemplated under the 2019 Financial Services Agreement and therefore, no Director abstained from voting on such resolution.

The 2019 Financial Services Agreement is subject to the following terms:

- (i) other than the services to be provided by CNNC and/or its associates under such agreement, the Group may obtain financial services from other financial institutions;
- (ii) such agreement may not be terminated unilaterally; and
- (iii) upon termination of such agreement, the Group is entitled to immediately withdraw its deposits with CNNC and/or its associates.

Pricing policy

The pricing policy under the 2019 Financial Services Agreement is as follows:

- (i) *Deposit and related 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 the PBOC or (ii) the public interest rates of a similar category of deposit in the same period provided by major independent commercial banks.
- (ii) *Entrusted loan, settlement, foreign exchange and other services:* The fees chargeable by 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.
- (iii) *Financial leasing services:* The fees chargeable by CNNC and/or its associates will be equal to or more favourable than the fees offered by other domestic financial leasing institutions.

LETTER FROM THE BOARD

Internal control measures

The Company has formulated 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.

When providing entrusted loans to connected persons (whether through CNNCFC or otherwise), the Company will consider the interest rate, processing fees, term and use of loan and credit worthiness of the ultimate borrower, based on principles of reasonable return, cost control and risk control. The entrusted loan agreements (setting out interest rate, processing fees, term and use of loan) are first approved by the finance department of the Company and then submitted to the legal representative for signing and approval. In addition, the finance department of the Company will be responsible for closely monitoring such ongoing continuing connected transactions and will submit matters to the Board for consideration as appropriate.

At the end of each quarter, the Company will request CNNCFC to provide sufficient information, including various financial indicators such as the status of its deposits and interest income, charges on entrusted loans and rental of financial leasing, as well as annual and interim financial statements, to enable it 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, it 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 2019 Financial Services Agreement. Only independent non-executive Directors may vote in respect of matters under the 2019 Financial Services Agreement. If the majority of the independent non-executive Directors reasonably considers that it would be in the Company's interests to reduce the level of deposits with CNNCFC or entrusted loans to CNNC, 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 2019 Financial Services Agreement (including their views on how the terms of such 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, it will engage auditors to review the connected transactions between it and CNNC and/or its associates to ensure that the transactions under the 2019 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 its professional financial leasing service provider, CNNC Financial Leasing Company, will provide a monthly 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 2019 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 its designated bank accounts with an independent commercial bank. The Company's financial head 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 CNNC and its subsidiaries to be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits and entrusted loans.

In addition to the monthly report, the Company has implemented internal control measures to ensure that 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 a daily basis, and promptly report to the financial officer if such daily balances are close to, or likely to exceed the proposed caps.

Annual caps

Nature of the services	Annual caps for the period from the Listing Date to the earlier of (i) one year from the Listing Date or (ii) the date of the AGM (RMB'000)	Actual amount incurred for the year ended 31 December 2018 (RMB'000)	Proposed annual caps for the period from the date of the AGM to the date of the 2019 annual general meeting of the Company (RMB'000)
Deposit and related services			
(a) Maximum daily outstanding balance	3,082,666	1,041,519	3,082,666
(b) Interest income	45,778	9,250	45,778
Entrusted loan, settlement, foreign exchange and other services			
(a) Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	417,500	25,500	417,500
(b) Service fees for settlement, entrusted loans and other financial services	125	7.7	125.25
Finance leasing services	2,763	0	20,748

LETTER FROM THE BOARD

The proposed caps have been determined with reference to the pricing policy stated above and taking into account the following factors:

- (i) *Deposit and related services:* (a) The maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with CNNCFC for the three years ended 31 December 2018 and (b) the net cash inflow of the Group for the year ended 31 December 2018, which is principally attributable to the net proceeds from the Global Offering (in the amount of RMB 1.4 billion). The Company proposes to maintain such annual cap at the same level as the previous cap, despite a relatively low utilisation of the latter, primarily due to the fact that (i) it was unable to deposit the net proceeds from the Global Offering with CNNCFC immediately upon the closing of the Global Offering pending regulatory clearance from the State Administration of Foreign Exchange and (ii) it intends to transfer certain of its existing cash reserves in the amount of RMB0.4 billion to CNNCFC, as CNNCFC offers more favourable interest rates with reference to the prevailing market rates.
- (ii) *Entrusted loan, settlement, foreign exchange and other services:* (a) The maximum daily outstanding balance of entrusted loans provided by the Group through, and the service fees charged by, CNNCFC during the three years ended 31 December 2018; (b) the anticipated net cash inflow of the Group (including expected payments from ongoing and new contracts) for the period from the date of the AGM until the next annual general meeting to be convened in 2020; (c) that the Company intends to obtain entrusted loans from CNNCFC for the purpose of financing the business and development needs of its subsidiaries; (d) the Group's projected business volume for the period from the date of the AGM until the next annual general meeting to be convened in 2020; and (e) the historical amount of fees charged by CNNCFC for cash settlement and foreign exchange for the three years ended 31 December 2018. The Company proposes to maintain such annual cap at the same level as the previous cap, despite a relatively low utilisation of the latter, primarily due to the fact that its investment (through its subsidiaries) in six manufacturing, research and development bases had been delayed pending regulatory approval and as such, the financing needs of such subsidiaries had temporarily fallen away. The Company expects to secure regulatory approval for such projects in 2019, at which point it will through CNNCFC provide entrusted loans in the aggregate amount of RMB0.4 billion to the relevant subsidiaries to finance the implementation of the projects.
- (iii) *Financial leasing services:* (a) Anticipated increase in the assets required for the Group's irradiation and radiopharmaceuticals business and (b) the expected rental payment payable by the Group for such assets for the period from the date of the AGM until the next annual general meeting to be convened in 2020.

Reasons for and benefits of the 2019 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 PBOC 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 historical cooperative relationship 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, engaging CNNCFC enables the Company to reduce costs, maximise efficiency and benefit from the capital pool managed by CNNC.

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 terms as compared to those provided by major independent commercial banks.

LETTER FROM THE BOARD

The Directors, including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, are of the view that the terms of the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder have been determined after arm's length negotiations 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.

Information on the parties

The Company

The Company is a joint stock company incorporated in the PRC with limited liability, and is 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 Group also provides irradiation services for sterilisation purpose and EPC (design, procurement and construction) services for the design, manufacturing and installation of gamma ray irradiation facilities, as well as independent clinical laboratory services to hospitals and other medical institutions.

CNNC

CNNC was established under the laws of the PRC 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 and new energy sources.

Listing Rules implications

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 are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the 2019 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit and related services

Since one or more applicable percentage ratios in relation to the caps of the deposit and related services to be provided under the 2019 Financial Services Agreement exceed 25% but are less than 100%, provision of such services constitutes both a major transaction of the Company under Chapter 14 of the Listing Rules and a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, annual review and independent shareholders' approval requirements.

Entrusted loan, settlement, foreign exchange and other services

Since one or more applicable percentage ratios in relation to the caps of the entrusted loan, settlement, foreign exchange and other services to be provided under the 2019 Financial Services Agreement exceed 5%, provision of such services is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Financial leasing services

Since one or more applicable percentage ratios in relation to the caps of the financial leasing services to be provided under the 2019 Financial Services Agreement exceed 0.1% but are less than 5%, provision of such services is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee has been formed to advise the independent Shareholders in relation to the 2019 Financial Services Agreement and the transactions contemplated thereunder, and the Independent Financial Adviser has been appointed to advise and make recommendation to the Independent Board Committee and the independent Shareholders in relation to the 2019 Financial Services Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules.

11. AGM AND H SHARES CLASS MEETING

A notice convening the AGM to be held at 9:30 a.m. on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China is set out on pages N-1 to N-4 of this circular. A notice convening the H Shares Class Meeting to be held at 10:30 a.m. or immediately after the conclusion of the AGM or any adjournment thereof on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China is set out on pages N-5 to N-6 of this circular.

(a) Closure of register of members

The register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (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 28 June 2019 will be entitled to attend and vote at the AGM and the H Shares Class Meeting. In order to be qualified to attend and vote at the AGM and the H Shares Class Meeting, 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, for registration no later than 4:30 p.m. on Tuesday, 28 May 2019.

(b) Reply slip and proxy form

If you intend to attend the AGM and/or the H Shares Class Meeting in person or by proxy, you are required to complete and return the enclosed reply slip in accordance with the instructions printed thereon 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, on or before Saturday, 8 June 2019.

LETTER FROM THE BOARD

If you intend to attend the AGM and/or the H Shares Class Meeting by proxy, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, as soon as possible but in any event no later than 24 hours before the time stipulated for convening the AGM and/or the H Shares Class Meeting respectively or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM and/or the H Shares Class Meeting or at any adjourned meeting if you so wish.

In accordance with the Listing Rules, any Shareholder who has a material interest in the transactions contemplated under the 2019 Financial Services Agreement is required to abstain from voting on the resolution approving such agreement (including the proposed annual caps) at the AGM. 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 Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on such resolution.

12. 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 AGM and the H Shares Class Meeting will demand a poll in relation to every resolution proposed at the AGM and the H Shares Class Meeting.

13. RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on page 23 of this circular which contains the recommendation of the Independent Board Committee to the independent Shareholders in relation to whether the terms of the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder 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 the Independent Financial Adviser set out on pages 24 to 34 of this circular which contains its recommendations to the Independent Board Committee and the independent Shareholders in relation to the 2019 Financial Services Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Board (including the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that all resolutions to be proposed at the AGM and the H Shares Class Meeting 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
Meng Yanbin
Chairman

Beijing, the PRC, 14 May 2019



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)

14 May 2019

Dear independent Shareholders,

Dear Sir/Madam

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 14 May 2019 (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 terms of the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder 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.

Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to you and us in relation to the 2019 Financial Services Agreement and the transactions contemplated thereunder. Details of its recommendation are set out in its letter on pages 24 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 22 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the opinion of the Independent Financial Adviser and the terms of the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder, we consider that such terms 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 vote in favour of the ordinary resolution set out in the notice of AGM to approve the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Guo Qingliang

Mr. Meng Yan
Independent non-executive Directors

Mr. Hui Wan Fai

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Website www.platinum-asia.com

14 May 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF THE CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE 2019 FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 Financial Services Agreement and the transactions contemplated thereunder. Details of the 2019 Financial Services Agreement are contained in the circular of the Company dated 14 May, 2019 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2019 Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) The 2018 Financial Services Agreement and the 2019 Financial Services Agreement;
- (ii) the Prospectus;
- (iii) the announcement of the Company dated 29 March 2019 (the “**Announcement**”); and
- (iv) the Company's internal controls guidelines in relation to the 2019 Financial Services Agreement.

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representation provided to us by the Directors and/or the management

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Company, which we have relied on, are true, complete and accurate and not misleading in all material respects as at the date hereof. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading or deceptive.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the 2019 Financial Services Agreement.

As at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the 2019 Financial Services Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the 2019 Financial Services Agreement. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2019 Financial Services Agreement. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the 2019 Financial Services Agreement or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai, has been established to advise the Independent Shareholders as to whether the terms of the 2019 Financial Services Agreement is fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and whether the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the 2019 Financial Services Agreement

References are made to the section headed “Connected Transactions — Non-exempt Continuing Connected Transactions” in the Prospectus in relation to the 2018 Financial Services Agreement and the Announcement.

Pursuant to the 2018 Financial Services Agreement, CNNC and/or its associates agreed to provide the Group with, among other things, (i) deposit and related services; (ii) entrusted loan,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

settlement, foreign exchange and other services; and (iii) financial leasing services for certain assets used by the Group in the course of its operations. The term of the 2018 Financial Services Agreement will expire on 28 June 2019 (being the date of the AGM).

On 29 March 2019, the Board of Directors resolved to approve the entering into of the 2019 Financial Services Agreement between the Company (as customer) and CNNC (as supplier), pursuant to which CNNC and/or its associates will provide the Group with the same services as contemplated under the 2018 Financial Services Agreement for a term commencing on the date of the AGM until the date of the next annual general meeting to be convened by the Company in 2020, subject to approval from the independent Shareholders at the AGM.

As at the Latest Practicable Date, CNNC holds approximately 73.83% of the total issued share capital of the Company and therefore is a controlling shareholder of the Company. As such, CNNC and its associates are connected persons of the company under Chapter 14A of the Listing Rules and the transactions contemplated under the 2019 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in relation to the proposed caps of the deposit and related services to be provided under the 2019 Financial Services Agreement exceed 25% but are less than 100%, provision of such services constitutes both a major transaction of the Company under Chapter 14 of the Listing Rules and a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to reporting, announcement, annual review and independent shareholders' approval requirements.

Since one or more applicable percentage ratios in relation the proposed caps of the entrusted loan, settlement, foreign exchange and other services to be provided under the 2019 Financial Services Agreement exceed 5%, provision of such services is subject to the reporting, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

2. Information on the Company and CNNC

Information on the Company

The Company is a joint stock company incorporated in the PRC with limited liability, and is 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 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.

Information on CNNC

CNNC was established under the laws of the PRC 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. Principal terms of the 2019 Financial Services Agreement

Parties

- (1) the Company
- (2) CNNC

The 2019 Financial Services Agreement is subject to the following terms:

- (i) other than the services provided by CNNC and/or its associates under the 2019 Financial Services Agreement, the Group may obtain financial services from other financial institutions;
- (ii) the 2019 Financial Services Agreement may not be terminated unilaterally; and
- (iii) upon termination of the 2019 Financial Services Agreement, the Group is entitled to immediately withdraw its deposits with CNNC and/or its associates.

Pricing Policy

The pricing policy under the 2019 Financial Services Agreement is as follows:

- (i) *Deposit and related 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.
- (ii) *Entrusted loan, settlement, foreign exchange and other 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 favourable than the rates offered by major independent commercial banks.
- (iii) *Financial Leasing Services:* The fees chargeable by CNNC and/or its associates will be equal to or more favourable than the fees offered by other domestic financial leasing institutions.

Considering the terms offered by the CNNC will be equal to or more favorable than the terms offered by independent third party financial institutions and the 2019 Financial Services Agreement does not prohibit the Group from engaging into similar services with other independent financial institutions. We think that the terms of the 2019 Financial Services Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The historical transaction amounts and proposed annual caps of the 2019 Financial Services Agreement

Nature of the services	Annual caps for the period from the Listing Date to the earlier of (i) one year from the Listing Date; or ii) the date of the AGM (RMB'000)	Actual amount incurred for the year ended 31 December 2018 (RMB'000)	Proposed annual caps for the period from the date of the AGM to the date of the 2019 annual general meeting of the Company (RMB'000)
• Deposit and related services			
(a) Maximum daily outstanding balance	3,082,666	1,041,519	3,082,666
(b) Interest income	45,778	9,250	45,778
• Entrusted loan, settlement, foreign exchange and other services			
(a) Maximum daily outstanding balance of entrusted loans provided by the Group through CNNCFC	417,500	25,500	417,500
(b) Services fees for settlement, entrusted loans and other financial services	125	7.7	125.25
• Financial Leasing Service	2,763	0	20,748

4.1 The basis for determining the proposed annual caps under the 2019 Financial Services Agreement

We understand from the management of the Company that the proposed caps have been determined with reference to the pricing policy stated above and taking into account of the following factors:

- (i) *Deposit and related services*: (a) The maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with CNNCFC for the three years ended 31 December 2018 and (b) the net cash inflow of the Group for the year ended 31 December 2018, which is principally attributable to the net proceeds from the Global Offering.

We note that the actual amount incurred from the deposit and related services for the year ended 31 December 2018 has reached approximately 34% of the existing annual cap during the period from the Listing Date and 31 December 2018, while the proposed annual caps for the period from the date of the AGM to the date of the 2019 annual general meeting of the Company are as same as the existing annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the management of the Company that the low utilization rate of the deposit and related services of the existing cap was mainly because that the Company was unable to directly deposit the net proceeds from the Global Offering with CNNCFC immediately upon the closing of the Global offering due to the regulatory requirements of State Administration of Foreign Exchange (“SAFE”). As such, the Company has set up a regulatory bank account in PRC (the “**PRC Regulatory Bank Account**”) in October 2018 as designated by SAFE as a money transfer portal between the Company and its PRC subsidiaries and each transaction of the PRC Regulatory Bank Account would be supervised by SAFE. We further noted from the Company that each bank account of Company’s subsidiaries is a secondary bank account of CNNCFC which belongs to CNNC and CNNCFC pays interests to those subsidiaries once the deposits are placed by the Company. However, due to the complicated application process including provision of various supporting documents (i.e. contract, agreement, invoice and article of associates) and longer time of approving by the PRC regulators to release the funds to the subsidiaries for deposit purpose, the actual amounts incurred for the year ended 31 December 2018 has not been increased significantly.

We understand that the net proceeds from the Global Offering were approximately RMB1.4 billion and the Company intends to transfer it in all to Company’s subsidiaries during the period of the 2019 Financial Services Agreement subject to the approval by SAFE. Moreover, the Company’s projected net cash inflow from its operating activities would be approximately RMB420 million for the year ended 31 December 2019 and it would be placed as deposit to CNNCFC as well. Therefore, considering the amount of approximately RMB1.0 billion has been incurred to the existing caps, we consider that the proposed annual cap being the same as the existing annual cap for the deposit and related services is fair and reasonable.

- (ii) *Entrusted loan, settlement, foreign exchange and other services:* (a) The maximum daily outstanding balance of entrusted loans provided by the Group through, and the service fees charged by, CNNCFC during the three years ended 31 December 2018, (b) the anticipated net cash inflow of the Group (including expected payments from ongoing and new contracts) for the period from the date of the AGM until the next annual general meeting to be convened in 2020; (c) that the Company intends to obtain entrusted loans from CNNCFC for the purpose of financing the business and development needs of its subsidiaries; (d) the Group’s projected business volume for the period from the date of the AGM until the next annual general meeting to be convened in 2020; and (e) the historical amount of fees charged by CNNCFC for cash settlement and foreign exchange for the three years ended 31 December 2018.

We note that the actual amount incurred from the entrusted loan, settlement, foreign exchange and other services for the year ended 31 December 2018 recorded approximately 6% of the existing annual cap during the period from the Listing Date and 31 December 2018, while the proposed annual caps for the period from the date of the AGM to the date of the 2019 annual general meeting of the Company are almost same as the existing annual caps for the period from the Listing Date to the date of the AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The main reasons for the low utilization rate were due to (i) that the Company was unable to directly transfer the net proceeds from the Global Offering with CNNCFC immediately upon the closing of the Global offering as discussed in the above and (ii) the fact that its investment (through a subsidiary) in a major manufacturing, research and development base had been delayed pending regulatory approval and as such, the financing needs of RMB200 million of such subsidiary had temporarily fallen away during FY2018. Given the set up of the PRC Regulatory Bank Account and we are advised by the management of the Company that the Company expects to secure regulatory approval for such project in 2019 at which point, it will through CNNCFC provide an entrusted loan to the relevant subsidiary to finance the implementation of the project. It is noted that such amount of the entrusted loan that may arise from this project would reach nearly 50% of the existing annual cap. In addition, we are aware of that there shall have other five contemplated investments and projects might be conducted by other subsidiaries of the Company in 2019 and the total financing needs amount to approximately RMB200 million after our discussion with the management of the Company. As such, we consider that the proposed annual cap being the same as the existing annual cap is fair and reasonable.

- (iii) *Financial leasing services*: (a) Anticipated increase in the assets required for the Group's irradiation and radiopharmaceuticals business and (b) the expected rental payment payable by the Group for such assets for the period from the date of the AGM until the next annual general meeting to be convened in 2020.

In order to assess the fairness and reasonableness of the proposed annual caps of deposit and related services under the 2019 Financial Services Agreement, we have discussed with the management of the Company in respect of the possible deposits to be placed by the Group with CNNCFC during the term of the 2019 Financial Services Agreement. We also understand that the proposed caps have made reference to the maximum daily outstanding balance of deposits historically placed by the Group with CNNCFC, historical cash flow and levels of deposit, business development plan of the Group, financial needs and expected cash flow of the Group. In addition, we have reviewed the information relating to the CNNCFC provided by the Group, including but not limited to, its financial information for the year ended 31 December 2018, non-performing asset ratio, non-performing loan ratio and capital adequacy ratio. We have also reviewed the historical deposit services record as allowed by China Banking Regulatory Commission ("CBRC") and consider the proposed annual caps for the deposit and related services are reasonable compared with the cash balance of the Company. Furthermore, we have discussed with the management of the Group and reviewed relevant forecasts and projections on future cash flow for the year ended 31 December 2019 and understand that the Group's potential capital investment will also lead to a stable cash inflow at the Group level. Therefore, we believe that the estimated deposit amount expected to be placed with CNNCFC and related interest income will remain stable accordingly.

In order to assess the fairness and reasonableness of the proposed annual caps of entrusted loan, settlement, foreign exchange and other financial services under the 2019 Financial Services Agreement, we have discussed with the management of the Company in respect of the possible entrusted loan to be provided by the Group through CNNCFC to the Group's subsidiaries and understand the various financial needs of its subsidiaries for business developments during the term of the 2019 Financial Services Agreement. In addition, we have also reviewed the anticipated net cash inflow and projected business volume of the Group provided by the Company during the term of the 2019 Financial Services Agreement, and we consider that the proposed annual caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In conclusion, we consider the proposed annual caps under the 2019 Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Reasons for and benefits of entering into the 2019 Financial Services Agreements

As stated in the Letter from the Board in the Circular, the main reasons for and benefits of entering into the 2019 Financial Services Agreement are as follows:

- (i) 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 PBOC and the CBRC, and is authorized to provide various kinds of financial services to CNNC and its member companies in the PRC, including deposit-taking and loan services.
- (ii) 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, engaging CNNCFC enables the Group to reduce costs, maximise efficiency and benefit from the capital pool managed by CNNC.
- (iii) 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 favorable fees as compared to those provided by major independent commercial banks.

We concur with the views of the management of the Company that the terms of the 2019 Financial Services Agreement (including the proposed annual caps) and the transactions contemplated thereunder have been determined after arm's length negotiations 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.

6. Internal control measures of the Group

With regards to the internal controls of the Company, we have reviewed the internal controls procedures provided by the management of the Company consider that the Company has adopted adequate internal control measures. The Company has formulated the 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 the Company's internal financial management, regulate financing activities, and meet the capital requirements of our 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 strike a balance between costs and risks.

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When providing entrusted loans to connected persons (whether through CNNCFC or otherwise), the Company will consider the interest rate, processing fees, term and use of loan and credit worthiness of the ultimate borrower, based on principles of reasonable return, cost control and risk control. The entrusted loan agreements (setting out interest rate, processing fees, term and use of loan) are first approved by the finance department of the Company and then submitted to the legal representative for signing and approval. In addition, the finance department of the Company will be responsible for closely monitoring such ongoing continuing connected transactions and will submit matters to the Board for consideration as appropriate.

At the end of each quarter, the Company will request CNNCFC to provide sufficient information, including various financial indicators such as the status of its deposits and interest income, charges on entrusted loans and rental of financial leasing, as well as annual and interim financial statements, to enable it 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, it 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 2019 Financial Services Agreement. Only independent non-executive Directors may vote in respect of matters under the 2019 Financial Services Agreement. If the majority of the independent non-executive Directors reasonably considers that it would be in the Company's interests to reduce the level of deposits with CNNCFC or entrusted loans to CNNC, 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 2019 Financial Services Agreement (including their views on how the terms of such 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, it will engage auditors to review the connected transactions between it and CNNC and/or its associates to ensure that the transactions under the 2019 Financial Services Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements.

Each of CNNCFC and its professional financial leasing service provider, CNNC Financial Leasing Company, will provide a monthly 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 2019 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 its designated bank accounts with an independent commercial bank. The Company's financial head 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 CNNC and its subsidiaries to be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits and entrusted loans.

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In addition to the monthly report, the Company has implemented internal control measures to ensure that 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 a daily basis, and promptly report to the financial officer if such daily balances are close to, or likely to exceed the proposed caps.

With regards to the above internal control policies of the Company, we have reviewed the following items, including but not limited to, (i) the rules and regulations adopted by the Company such as the Financial Management Measures of China Isotope & Radiation Corporation and the Financial Management System of China Isotope & Radiation Corporation; (ii) two samples of quarterly and monthly reports from CNNCFC and CNNC Financial Leasing Company in relation to the status of deposits and interest income, charges on entrusted loans and rental of financial leasing; and (iii) two samples of reports on daily balances under the 2019 Financial Services Agreement. In addition, we have assessed the fairness and reasonableness of the pricing mechanisms by obtaining and reviewing one sample collection of the related internal control procedures of each of the deposit services, settlement, entrusted loan and other financial services under the existing financial services agreement prepared by the Group while such sample was collected randomly. We note, from the samples that we collected and reviewed, that the internal control procedures are in line with the related rules and regulations, the pricing policies are in line with the existing financial services agreement and the respective rate under each category of the existing financial services agreement were all equal to or more favourable than that provided by PBOC, major independent commercial banks or other domestic financial leasing institutions.

Based on the above, we consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual caps of the transactions contemplated under the respective categories of the 2019 Financial Services Agreement.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the entering into of the 2019 Financial Services Agreement is in the ordinary and usual course of business of the Company;
- (ii) the entering into of the 2019 Financial Services Agreement is in the interests of the Company and the Shareholders as a whole; and
- (iii) the proposed annual caps under the 2019 Financial Services Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the 2019 Financial Services Agreement is entered into in the ordinary and usual course of business of the Company on normal commercial terms, and the terms of the 2019 Financial Services Agreement and the respective proposed annual caps under such agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders, to vote in favor of the resolutions in relation to the 2019 Financial Services Agreement and the transactions contemplated thereunder to be proposed at the AGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Li Lan
Director and Co-head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over twelve years of experience in corporate finance industry.

APPENDIX I BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISOR PROPOSED TO BE APPOINTED AT THE AGM

Biographical details of the Directors and Supervisor who are proposed to be appointed at the AGM are set out as follows:

NON-EXECUTIVE DIRECTORS

Mr. Chen Zongyu (陳宗裕), aged 58, was the principal and secretary of 272 Factory Workers' Children Middle School (二七二廠子弟中學) from August 1982 to August 1995, and the assistant director of the General Office of CNNC Mining and Metallurgy Bureau (中核總礦冶局) from August 1995 to August 1996. From August 1996 to May 2002, Mr. ZY Chen worked at 272 Factory (二七二廠) as deputy secretary of the Discipline Inspection Committee, head of the Discipline Inspection Group, secretary of the Discipline Inspection Committee, deputy secretary of the Party Committee and secretary of the Party Committee. From June 2002 to March 2014, Mr. ZY Chen worked with Jiangxi Mining and Metallurgy Bureau (江西礦冶局) as deputy director general, leader of the Discipline Inspection Group, director general and secretary of the Party Committee. From March 2011 to April 2014, Mr. ZY Chen was the director of the Construction Preparation Office of CNNC Jiangxi Nuclear Power (中核江西核電籌建處). From March 2014 to July 2016, Mr. ZY Chen was the general manager and secretary of the Party Committee of Shanghai Nuclear Puyuan Corporation (上海中核浦原有限公司). From April 2014 to July 2016, he was also the director of the Shanghai Liaison Department of China National Nuclear Corporation. From July 2016 to November 2018, Mr. ZY Chen acted as a deputy general manager of Shanghai Nuclear Puyuan Corporation (上海中核浦原有限公司). Since November 2018, Mr. ZY Chen has been a full-time director of China National Nuclear Corporation. Mr. ZY Chen graduated from Hunan National University with a bachelor's degree in History in July 1982.

Mr. Chen Shoulei (陳首雷), aged 53, from October 1986 to December 2007, Mr. SL Chen served as assistant accountant, accountant of the finance division, vice section chief of the finance section, acting deputy chief, deputy chief, chief of the finance division, and director of the financial assets division of the Fifth Research and Design Institute of the Nuclear Industry. From January 2008 to January 2013, Mr. SL Chen worked as deputy director and senior accountant in the finance and accounting division of China Nuclear Power Engineering. From January 2013 to March 2016, Mr. SL Chen acted as director of the supervision and audit division of China Nuclear Power Engineering. From February 2017 to March 2019, Mr. SL Chen was a shareholder representative supervisor of the Company. Since March 2016 to date, Mr. SL Chen has served as chief accountant of the Nuclear Power Institute of China. Mr. SL Chen received a bachelor's degree in auditing (accounting) from Wuhan University in July 1995. Mr. SL Chen qualified as an assistant accountant in October 1989 and was certified as an accountant and then a senior accountant in November 1993 and March 2000, respectively.

As at the Latest Practicable Date, Mr. ZY Chen and Mr. SL Chen did not hold any other positions with the Company or other members of the Group, nor did they 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 Latest Practicable Date, Mr. ZY Chen and Mr. SL Chen did not have any relationships with any Directors, Supervisors, senior management, substantial or controlling Shareholders, nor any interest in the Shares within the meaning of Part XV of the SFO. Subject to approval from the Shareholders at the AGM, each of Mr. ZY Chen and Mr. SL Chen will enter into a service contract with the Company for a term from the date on which his appointment is approved at the AGM until the date on which the term of office of the second session of the Board expires, and is eligible for re-election and re-appointment upon the expiry of his term of office. Mr. ZY Chen and Mr. SL Chen will not receive any remuneration in respect of their appointments as non-executive Directors.

APPENDIX I BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISOR PROPOSED TO BE APPOINTED AT THE AGM

Save as disclosed, there are no other matters relating to the appointment of each of Mr. ZY Chen and Mr. SL Chen as a non-executive Director 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 Listing Rules.

SUPERVISOR

Mr. Zhang Guoping (張國平), aged 48, graduated from Zhejiang University in July 1992 with a bachelor's degree in thermal energy and power engineering. Since then until April 2001, he worked with the Second Institution of Nuclear Power Institute of China (中國核動力研究設計院二所), specializing in the experiment and research of power equipment. From May 2001 to September 2017, Mr. Zhang worked at the scientific technology office of the Second Institution of Nuclear Power Institute of China (中國核動力研究設計院二所), specializing in the management of scientific research projects, and as director of the scientific technology office from June 2009 to September 2017. Since October 2017, Mr. Zhang has been the deputy director of the asset operation and management office of Nuclear Power Institute of China.

As at the Latest Practicable Date, Mr. Zhang 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 Latest Practicable Date, Mr. Zhang did not have any relationships with any Directors, Supervisors, senior management, substantial or controlling Shareholders, nor any interest in the Shares within the meaning of Part XV of the SFO. Subject to approval from the Shareholders at the AGM, Mr. Zhang will enter into a service contract with the Company for a term from the date when his appointment is approved at the AGM until the date on which the term of office of the second session of the supervisory committee of the Company expires, and is eligible for re-election and re-appointment upon the expiry of his term of office. Mr. Zhang will not receive any remuneration in respect of his appointment as a Supervisor.

Save as disclosed, there are no other matters relating to the appointment of Mr. Zhang as a Supervisor 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 Listing Rules.

A summary of the proposed amendments to the Articles is set out as follows:

Original Article	Article as amended
<p>(The Articles of Association were passed at the 2016 annual general meeting of shareholders on March 31, 2017 and modified at the 2017 third extraordinary general meeting. They are expected to take effect as of the date when the Company's H shares are listed and traded on the Stock Exchange of Hong Kong Limited upon approval by relevant departments of the People's Republic of China and relevant regulatory authorities.)</p> <p>Sub-clause 3 of Article 1 The founders of the Company are China National Nuclear Corporation (中國核工業集團公司) (hereinafter referred to as "CNNC"), China Institute of Atomic Energy (hereinafter referred to as "CIAE"), and Nuclear Power Institute of China (中國核動力設立研究院) (hereinafter referred to as "NPIC").</p> <p>Article 2 Registered company name: Chinese full name: 中國同幅股份有限公司 (hereinafter referred to as "中國同幅" for short)</p> <p>English full name: China Isotope & Radiation Corporation (hereinafter referred to as "CIRC" for short)</p> <p>Article 6 As the code of conduct of Company, the Articles of Association (hereinafter referred to as the "Articles") are approved by the special resolution of the shareholders' general meeting. They are expected to take effect as of the date when the Company's foreign shares for overseas listing are listed and traded on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") upon approval by relevant departments of the People's Republic of China (hereinafter referred to as the "PRC") and the relevant regulatory authorities, in order to supersede and replace the Articles previously filed with the SAIC. Once the Articles become effective, they shall constitute a legally binding instrument regulating the Company's organization and activities and the rights and obligations between the Company and each shareholder and between the shareholders.</p>	<p>(The Articles of Association were passed at the 2016 annual general meeting of shareholders on March 31, 2017 and modified at the 2017 third extraordinary general meeting. They are expected to take effect as of the date when the Company's H shares are listed and traded on the Stock Exchange of Hong Kong Limited upon approval by relevant departments of the People's Republic of China and relevant regulatory authorities.)</p> <p>Sub-clause 3 of Article 1 The founders of the Company are China National Nuclear Corporation (中國核工業集團有限公司) (hereinafter referred to as "CNNC"), China Institute of Atomic Energy (hereinafter referred to as "CIAE"), and Nuclear Power Institute of China (中國核動力設計研究院) (hereinafter referred to as "NPIC").</p> <p>Article 2 Registered company name: Chinese full name: 中國同輻股份有限公司 (hereinafter referred to as "中國同輻" for short)</p> <p>English full name: China Isotope & Radiation Corporation (hereinafter referred to as "CIRC" for short)</p> <p>Article 6 As the code of conduct of Company, the Articles of Association (hereinafter referred to as the "Articles") are approved by the special resolution of the shareholders' general meeting. They are expected to take effect as of the date when the Company's foreign shares for overseas listing are listed and traded on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") upon approval by relevant departments of the People's Republic of China (hereinafter referred to as the "PRC") and the relevant regulatory authorities, in order to supersede and replace the Articles previously filed with the SAIC. Once the Articles become effective, they shall constitute a legally binding instrument regulating the Company's organization and activities and the rights and obligations between the Company and each shareholder and between the shareholders.</p>

Original Article	Article as amended
<p>Article 8 All the Company assets are divided into equal shares. The liability of a shareholder of the Company shall be limited to the shares held by each shareholder. The Company shall hold liable for its debt with all of its assets.</p> <p>The Company may invest in other limited liability companies and joint stock limited liability companies, and assume liability towards the invested companies to the extent of the capital contributions thus made.</p> <p>Article 10 According to the Constitution of the Communist Party of China, the Company shall set up the organization of Communist Party of China. The Party Committee shall give full play to its role of leading and political core by controlling the direction, managing the overall situation and ensuring the implementation of policies. The Company shall establish the working organs of the Party, provide the Party Committee with enough working personnel and guarantee its working funds.</p> <p>N/A</p> <p>Article 9 The reference to senior management officers in the Articles includes the general manager, deputy general managers, chief accountant, chief engineer and secretary to the Board of Directors of the Company.</p>	<p>Article 8 All the Company assets are divided into equal shares. The liability of a shareholder of the Company shall be limited to the shares held by each shareholder. The Company shall hold liable for its debt with all of its assets.</p> <p>The Company may invest in other limited liability companies or other entities, and assume liability towards the invested companies to the extent of the capital contributions so made, and shall not be jointly and severally held liable for the debts of the investees except otherwise provided by laws.</p> <p>Article 9 According to the Constitution of the Communist Party of China, the Company shall set up the organization of Communist Party of China. The Party Committee shall give full play to its role of leading and political core by controlling the direction, managing the overall situation and ensuring the implementation of policies. The Company shall establish the working organs of the Party, provide the Party Committee with enough working personnel and guarantee its working funds.</p> <p><u>Article 10 The Company implements a chief legal officer system. The chief legal officer is a senior management officer who shall be engaged by the Board of Directors and be responsible for the legal affairs of the Company. The Legal Affairs Committee of the Board of Directors is responsible for promoting the corporate governance construction and supervising over the governance compliance by management. For the matters discussed or reviewed by the Party Committee, the Board of Directors and the Office of General Manager that involve legal issues, the chief legal officer shall attend the relevant meeting and propose his/her legal opinions accordingly.</u></p> <p>Article 11 The reference to senior management officers in the Articles includes the general manager, deputy general managers, chief accountant, chief engineer, chief legal officer and secretary to the Board of Directors of the Company.</p>

Original Article	Article as amended
<p>Article 12 With three fields, namely the extensive application of radiopharmaceuticals and nuclear medicine, the widespread industrial use of radioactive sources, and radiation processing, and their relevant industries as the focus, the Company's business covers most of the nuclear technology applications, including: the research and development of various isotopes; the research and development, production, and operation of radiopharmaceuticals and relevant reagents, medical appliances, and biological products, and the promotion and application of relevant technology; the promotion and application of independent medical testing service and nuclide diagnosis technology; the research and development, production, operation and technical service of various industrial radioactive sources, tracers and relevant products; and the research and development, production and operation of irradiation device designs and irradiation products, and the irradiation processing service.</p>	<p>Article 13 With three fields, namely the extensive application of radiopharmaceuticals and nuclear medicine, the widespread industrial use of radioactive sources, and radiation processing, and their relevant industries as the focus, the Company's business covers most of the nuclear technology applications, including: the research and development of various isotopes; the research and development, production, and operation of radiopharmaceuticals and relevant reagents, medical appliances, and biological products, and the promotion and application of relevant technology; the promotion and application of independent medical testing service and nuclide diagnosis technology; the research and development, production, operation and technical service of various industrial radioactive sources, tracers and relevant products; and the research and development, production and operation of irradiation device designs and irradiation products, and the irradiation processing service.</p> <p><u>The scope of business of the Company: sales of in vivo radioactive medicines and in vitro radioactive diagnostic reagents (valid up to 31 December 2021); sales of Class I, II, III, IV and V radioactive sources; sales of Class II and III irradiation facilities; sales of unsealed radioactive substances; venue for operation of Class C unsealed radioactive substances (valid up to 30 June 2022); sales of Class I, II and III medical appliance; import and export businesses; sales of electronics, communication equipment, light industrial products, automotive accessories, chemical materials and chemical products (excluding hazardous chemicals), steel, paper sheet, textiles and other light industrial goods, and articles of daily use; property management; cultural exchange; and technology consulting and services related to the above businesses.</u></p>

Original Article	Article as amended
<p>Article 18 As approved by the company approving department that the State Council authorizes, the Company can issue [•] ordinary shares in total, including 200 million shares issued to the founders at the time of the Company’s establishment, which account for [•]% of the total issued ordinary shares of the Company.</p> <p>Article 19 As approved by the securities authority of the State Council, the Company may issue no more than 91,964,006 overseas-listed foreign shares. After the completion of the above issuance, the shareholding structure of the Company is composed of [•] ordinary shares, of which 106,676,903 shares shall be held by CNNC, 58,534,835 shares shall be held by CIAE, 46,994,835 shares shall be held by NPIC as promoters, 27,699,527 shares for all the other domestic shareholders, and [•] shares shall be held by holders of overseas-listed foreign shares.</p> <p>Article 22 The registered capital of the Company is Renminbi [•] yuan.</p>	<p>Article 19 After approval by the department authorized by the State Council, the Company <u>issued 200,000,000 shares to the promoter on date of the establishment, which shares are all subscribed for and held by the promoter, comprising 103,860,000 shares held by CNNC, representing 51.93% of the total number of ordinary shares issued by the Company on establishment, 53,840,000 shares held by CIAE, representing 26.92% of the total number of ordinary shares issued by the Company on establishment, and 42,300,000 shares held by NPIC, representing 21.15% of the total number of ordinary shares issued by the Company on establishment.</u></p> <p>Article 20 As approved by the securities authority of the State Council, the Company may issue no more than 91,964,006 overseas-listed foreign shares. After the completion of the above issuance, the shareholding structure of the Company is composed of <u>319,874,900</u> ordinary shares, of which 106,676,903 shares shall be held by CNNC (中國核工業集團有限公司), 58,534,835 shares shall be held by CIAE, 46,994,835 shares shall be held by NPIC as promoters, 27,699,527 shares for all the other domestic shareholders, and <u>79,968,800</u> shares shall be held by holders of overseas-listed foreign shares.</p> <p>Article 23 The registered capital of the Company is RMB<u>319,874,900</u>.</p>

Original Article	Article as amended
<p>Article 23 The Company may approve the increase of capital according to the Articles based on the needs of operation and development.</p> <p>The Company may increase its capital in the following ways:</p> <p>(I) Offering new shares to non-specially-designated investors;</p> <p>(II) Placing new shares to existing shareholders;</p> <p>(III) Distributing bonus shares to existing shareholders;</p> <p>(IV) Converting capital reserves into share capital; and</p> <p>(V) Other ways permitted by laws and administrative regulations (行政法).</p> <p>After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles, it shall be made in accordance with the procedures provided in the relevant laws and administrative regulations of PRC.</p> <p>Article 28 In the following circumstances, the Company may repurchase its issued shares in accordance with the procedures provided in the Articles and subject to the approval of the relevant governing authorities of the PRC:</p> <p>(I) Cancellation of shares for the purpose of reduction of registered capital;</p> <p>(II) Merger with another company which holds the shares of the Company;</p> <p>(III) Granting of shares as incentive compensation to the Company's staff;</p>	<p>Article 24 The Company may approve the increase of capital according to this Article (本章程) based on the needs of operation and development.</p> <p>The Company may increase its capital in the following ways:</p> <p>(I) Offering new shares to non-specially-designated investors;</p> <p>(II) Placing new shares to existing shareholders;</p> <p>(III) Distributing bonus shares to existing shareholders;</p> <p>(IV) Converting capital reserves into share capital; and</p> <p>(V) Other ways permitted by laws and administrative regulations (行政法規).</p> <p>After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles, it shall be made in accordance with the procedures provided in the relevant laws and administrative regulations of PRC.</p> <p>Article 29 In the following circumstances, the Company may repurchase its issued shares in accordance with <u>the listing rules of the stock exchange where shares of the Company are listed or other securities laws and rules and upon passing the procedures provided in the Articles</u>, subject to the approval of the relevant governing authorities of the PRC:</p> <p>(I) Cancellation of shares for the purpose of reduction of registered capital;</p> <p>(II) Merger with another company which holds the shares of the Company;</p> <p>(III) <u>Shares used for the employee share ownership scheme or equity incentives;</u></p>

Original Article	Article as amended
<p>(IV) Request to the Company to acquire the shares from shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; and</p> <p>(V) Other circumstances permitted by laws and administrative regulations.</p>	<p>(IV) Request to the Company to acquire the shares from shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company;</p> <p>(V) <u>Shares used for conversion of corporate bonds issued by the Company that may be convertible into shares;</u></p> <p>(VI) <u>Protection of the value of the Company and shareholders' interests.</u></p> <p>(VII) Other circumstances permitted by laws and administrative regulations.</p>
<p>Article 32 The Company must obtain the prior approval of the shareholders at a general meeting, before it can repurchase shares by reason of those mentioned in sub-paragraphs (I) to (III) of Article 28 of the Articles. Shares repurchased by the Company under sub-paragraph (I) of Article 28 hereof shall be cancelled within ten (10) days from the date of acquisition; the shares repurchased under sub- paragraphs (II) and (IV) of Article 28 hereof shall be transferred or cancelled within six (6) months; and the shares acquired by the Company in accordance with sub-paragraph (III) of Article 28 hereof shall not exceed 5% of the Company's issued shares, and the shares acquired shall be transferred to the staff within one year.</p>	<p>Article 33 The Company must obtain the prior approval of the shareholders at a general meeting, before it can repurchase shares by reason of those mentioned in sub-clauses (I) to (III) of Article 2829 of the Articles. <u>If the Company repurchases shares for reasons set out in sub-clauses (V) and (VI) of Article 29, it shall obtain approval by two-thirds of the directors who attend the meeting of the board of directors. Unless otherwise provided by the listing rules of the stock change which shares of the Company are listed or other securities laws and rules,</u> shares repurchased by the Company under sub-clause (I) of Article 2829 hereto shall be cancelled within ten (10) days from the date of acquisition; the shares repurchased under sub-clauses (II) and (IV) of Article 2829 hereto shall be transferred or cancelled within six (6) months; and the <u>aggregate number of</u> shares acquired by the Company in accordance with sub-clauses (III), <u>(V) and (VI)</u> of Article 2829 hereto shall not exceed 5%<u>10%</u> of the Company's issued shares, and the shares acquired shall be transferred to the staff within one year <u>either transferred or cancelled within three years.</u></p>

Original Article	Article as amended
<p>Article 36 The following acts shall not be deemed to be acts as prohibited by Article 34:</p> <p>Article 54 The resolutions of the shareholders’ general meeting and meetings of the Board of Directors that are contrary to laws and administrative regulations are invalid. If the convening procedure and voting method of a shareholders’ general meeting or a meeting of the Board of Directors violate relevant laws, administrative regulations or the Articles, or the contents of any resolution violate the Articles, the shareholders shall have the right to request the people’s court to cancel such resolution within sixty (60) days from the date of such resolution.</p> <p>Where a director or an senior management officer violates any laws, administrative regulations or the Articles in the course of performing his duties and thereby causes losses to the Company, the shareholders individually or jointly holding more than 1% of the Company’s shares for one hundred and eighty (180) consecutive days or more shall have the right to request, in written form, the Board of Supervisors to initiate a legal proceeding in the people’s court. Where the Board of Supervisors violates any laws, administrative regulations or the Articles in the course of performing its duties and thereby causes losses to the Company, the shareholders may request, in written form, the Board of Directors to initiate a legal proceeding in the people’s court.</p>	<p>Article 37 The following acts shall not be deemed to be acts as prohibited by Article 3435:</p> <p>Article 55 The resolutions of the shareholders’ general meeting and meetings of the Board of Directors that are contrary to laws and administrative regulations are invalid. If the convening procedure and voting method of a shareholders’ general meeting or a meeting of the Board of Directors violate relevant laws, administrative regulations or the Articles, or the contents of any resolution violate the Articles, the shareholders shall have the right to request the people’s court to cancel such resolution within sixty (60) days from the date of such resolution.</p> <p>Where a director or an senior management officer violates any laws, administrative regulations or the Articles in the course of performing his duties and thereby causes losses to the Company, the shareholders individually or jointly holding more than 1% of the Company’s shares for one hundred and eighty (180) consecutive days or more shall have the right to request, in written form, the Board of Supervisors to initiate a legal proceeding in the people’s court. Where the Board of Supervisors violates any laws, administrative regulations or the Articles in the course of performing its duties and thereby causes losses to the Company, the shareholders may request, in written form, the Board of Directors to initiate a legal proceeding in the people’s court.</p>

Original Article	Article as amended
<p>Article 55 In the event that the Board of Supervisors and the Board of Directors refuse to initiate legal proceedings upon receiving the written request from a shareholder, as specified in the preceding paragraph, or fails to initiate such legal proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will cause irreparable damage to the Company’s interests, shareholders mentioned in the preceding paragraph shall have the right to initiate legal proceedings in the people’s court directly in their own names for the benefit of the Company.</p> <p>Where the legitimate rights and interests of the Company are damaged and the Company thereby suffers any loss, the shareholders described in the first paragraph of this Article may initiate a legal proceeding in the people’s court in accordance with the provisions of the preceding two paragraphs.</p> <p>Where any director or a senior management officer damages the shareholders’ interests by violating any laws, administrative regulations or the Articles, the shareholders may initiate a legal proceeding in the people’s court.</p>	<p>Article 56 <u>Where a director or an senior management officer violates any laws, administrative regulations or the Articles in the course of performing his duties and thereby causes losses to the Company, the shareholders individually or jointly holding more than 1% of the Company’s shares for one hundred and eighty (180) consecutive days or more shall have the right to request, in written form, the Board of Supervisors to initiate a legal proceeding in the people’s court.</u> Where the Board of Supervisors violates any laws, administrative regulations or the Articles in the course of performing its duties and thereby causes losses to the Company, the shareholders may request, in written form, the Board of Directors to initiate a legal proceeding in the people’s court. In the event that the Board of Supervisors and the Board of Directors refuse to initiate legal proceedings upon receiving the written request from a shareholder, as specified in the preceding paragraph, or fails to initiate such legal proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will cause irreparable damage to the Company’s interests, shareholders mentioned in the preceding paragraph shall have the right to initiate legal proceedings in the people’s court directly in their own names for the benefit of the Company.</p> <p>Where the legitimate rights and interests of the Company are damaged and the Company thereby suffers any loss, the shareholders described in the first paragraph of this Article may initiate a legal proceeding in the people’s court in accordance with the provisions of the preceding two paragraphs.</p> <p>Where any director or a senior management officer damages the shareholders’ interests by violating any laws, administrative regulations or the Articles, the shareholders may initiate a legal proceeding in the people’s court.</p>

Original Article	Article as amended
<p>Article 60 The shareholders' general meeting shall have the following functions and powers:</p> <p>(I) To decide the Company's operation policies and investment plans;</p> <p>(II) To elect and replace the directors, and to determine matters relating to the remuneration of the directors;</p> <p>(III) To elect and replace the supervisors who are the representatives of shareholders and to determine matters relating to the remuneration of such supervisors;</p> <p>(IV) To consider and approve the reports of the Board of Directors;</p> <p>(V) To consider and approve the reports of the Board of Supervisors;</p> <p>(VI) To consider and approve the annual financial budgets and final accounts of the Company;</p> <p>(VII) To consider and approve the profit distribution plans and plans for recovery of losses of the Company;</p> <p>(VIII) To make resolutions on increase or reduction of the Company's registered capital;</p> <p>(IX) To make resolutions on the merger, division, reorganization, dissolution, liquidation and other matters of the Company;</p> <p>(X) To make resolutions on the issuance of debentures by the Company;</p> <p>(XI) To make resolutions on the appointment, dismissal or stopping re-appointment accounting firm for annual auditing;</p>	<p>Article 61 The shareholders' general meeting shall have the following functions and powers:</p> <p>(I) To decide the Company's operation policies and investment plans;</p> <p>(II) To elect and replace the directors <u>who are not the employee representatives</u>, and to determine matters relating to the remuneration of the directors;</p> <p>(III) To elect and replace the supervisors <u>who are not the employee representatives</u> and to determine matters relating to the remuneration of such supervisors;</p> <p>(IV) To consider and approve the reports of the Board of Directors;</p> <p>(V) To consider and approve the reports of the Board of Supervisors;</p> <p>(VI) To consider and approve the annual financial budgets and final accounts of the Company;</p> <p>(VII) To consider and approve the profit distribution plans and plans for recovery of losses of the Company;</p> <p>(VIII) To make resolutions on increase or reduction of the Company's registered capital;</p> <p>(IX) To make resolutions on the merger, division, reorganization, dissolution, liquidation and other matters of the Company;</p> <p>(X) To make resolutions on the issuance of debentures by the Company;</p> <p>(XI) To make resolutions on the appointment, dismissal or stopping re-appointment accounting firm for annual auditing;</p>

Original Article	Article as amended
<p>(XII) To amend the Articles;</p> <p>(XIII) To consider the proposal of a shareholder holding 3% or more (inclusive of 3%) of the voting rights in the shares;</p> <p>(XIV) To consider and approve the matters in relation to purchase or disposal of material assets or provision of guarantee by the Company of a value exceeding 30% of the Company's latest audited total assets within one year;</p> <p>(XV) To consider and approve the external guarantees specified in Article 61;</p> <p>(XVI) To consider and approve the share incentive plan;</p> <p>(XVII) To consider and approve the change in the use of proceeds;</p> <p>(XVIII) Other matters which are required to be determined at the shareholders' general meeting in accordance with the laws, administrative regulations and the Articles.</p>	<p>(XII) To amend the Articles;</p> <p>(XIII) To consider the proposal of a shareholder holding 3% or more (inclusive of 3%) of the voting rights in the shares;</p> <p>(XIV) To consider and approve the matters in relation to purchase or disposal of material assets or provision of guarantee by the Company of a value exceeding 30% of the Company's latest audited total assets within one year;</p> <p>(XV) To consider and approve the external guarantees specified in Article 62;</p> <p>(XVI) To consider and approve the share incentive plan;</p> <p>(XVII) To consider and approve the change in the use of proceeds;</p> <p>(XVIII) Other matters which are required to be determined at the shareholders' general meeting in accordance with the laws, administrative regulations and the Articles.</p>

Original Article	Article as amended
<p>Article 66 To convene an extraordinary general meeting or a shareholders' class meeting, the shareholders shall follow the following procedures:</p> <p>(I) The shareholders individually or jointly holding more than 10% of the voting shares at the meeting sought to be held may sign one or several written requests of identical form of content requesting the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The abovementioned shareholding shall be calculated as of the day on which the written request is made. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles, provide a written feedback on whether to agree or not to convene such extraordinary general meeting within ten (10) days upon receipt of such proposal.</p> <p>(II) In the event that the Board of Directors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after the resolution being made by the Board of Directors. Changes made to the original proposal in the notice shall be approved by relevant shareholders.</p> <p>(III) In the event that the Board of Directors refuses to convene the extraordinary general meeting, or gives no feedback within ten (10) days after receiving the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose, in written form, the convocation of an extraordinary general meeting to the Board of Supervisors.</p> <p>(IV) In the event that the Board of Supervisors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after receiving the proposal. Changes made to the original proposal in the notice shall be approved by relevant shareholders.</p>	<p>Article 67 To convene an extraordinary general meeting or a shareholders' class meeting, the shareholders shall follow the following procedures:</p> <p>(I) The shareholders individually or jointly holding more than 10% of the voting shares at the meeting sought to be held (hereinafter referred to as the "Proposing Shareholders") may sign one or several written requests of identical form of content requesting the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The abovementioned shareholding shall be calculated as of the day on which the written request is made. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles, provide a written feedback on whether to agree or not to convene such extraordinary general meeting within ten (10) days upon receipt of such proposal.</p> <p>(II) In the event that the Board of Directors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after the resolution being made by the Board of Directors. Changes made to the original proposal in the notice shall be approved by relevant shareholders.</p> <p>(III) In the event that the Board of Directors refuses to convene the extraordinary general meeting, or gives no feedback within ten (10) days after receiving the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares Proposing Shareholders shall have the right to propose, in written form, the convocation of an extraordinary general meeting to the Board of Supervisors.</p> <p>(IV) In the event that the Board of Supervisors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after receiving the proposal. Changes made to the original proposal in the notice shall be approved by relevant shareholders.</p>

Original Article	Article as amended
<p>(V) If the Board of Supervisors fails to give a notice on the convocation of extraordinary general meeting within time limit, it shall be deemed having no intention to convene and preside over the meeting. In this case, the shareholders individually or jointly holding more than 10% of the Company’s shares shall have the right to convene and preside over the meeting by themselves. The convocational procedure shall, to the extent possible, be identical to procedures according to which meeting is to be convened by the Board of Directors.</p> <p>All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting at the above requests shall be borne by the Company and deducted from the amount owned by the Company to the delinquent directors.</p>	<p>(V) If the Board of Supervisors fails to give a notice on the convocation of extraordinary general meeting within time limit, it shall be deemed having no intention to convene and preside over the meeting. In this case, the shareholder individually or jointly holding more than 10% of the Company’s shares <u>for more than ninety consecutive days</u> shall have the right to convene and preside over the meeting by themselves. The convocational procedure shall, to the extent possible, be identical to procedures according to which meeting is to be convened by the Board of Directors.</p> <p>All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors <u>and the Board of Supervisors</u> to convene a meeting at the above requests shall be borne by the Company and deducted from the amount owned by the Company to the delinquent directors <u>and supervisors</u>.</p>

Original Article	Article as amended
<p>Article 74 Any shareholder who is entitled to attend and vote at a shareholders’ general meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed can exercise the following rights pursuant to the authorization from such shareholder:</p> <p>(I) Such shareholder’s right to speak at the meeting;</p> <p>(II) The right to demand a poll alone or jointly with others;</p> <p>(III) The right to vote by a show of hands or by a poll. However, when more than one proxy is entrusted, they can only vote by a poll.</p>	<p>Article 75 Any shareholder who is entitled to attend and vote at a shareholders’ general meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed can exercise the following rights pursuant to the authorization from such shareholder:</p> <p>(I) Such shareholder’s right to speak at the meeting;</p> <p>(II) The right to demand a poll alone or jointly with others;</p> <p>(III) The right to vote by a show of hands or by a poll. However, when more than one proxy is entrusted, they can only vote by a poll.</p> <p><u>If the shareholder is a recognized clearing house (or its proxy), such shareholder may authorize one or more persons it thinks fit to act as its proxy at any shareholder’s meeting (or any class of any shareholder’s meeting); however, if more than one person is authorized, the power of attorney shall specify the number and class of the shares with respect to such persons so authorized. The power of attorney shall be executed by a person authorized by such recognized clearing house. The person so authorized may attend the meeting and exercise any rights on behalf of such recognized clearing house (or its proxy) (without producing any share certificate, notarized power of attorney and/ or further evidence to prove that the person has been so authorized) as if such person were an individual shareholder of the Company.</u></p>

Original Article	Article as amended
<p>Article 79 The shareholders' general meeting shall be presided over and chaired by the chairman of the Board of Directors. If the chairman is unable to attend the meeting for some reason, the vice chairman of the Board of Directors designated by the chairman of the Board of Directors shall take the chair. If the vice chairman is unable or fails to perform his duties, his duties shall be performed by a director jointly elected by more than half of the directors. If no director is elected to take the chair, the shareholders present at the meeting may elect a chairman. If for any reason the shareholders fail to elect a chairman of the meeting, the shareholder (including his proxy) attending the meeting and holding the largest number of shares with voting rights shall chair the meeting.....</p> <p>Article 88 When a shareholders' general meeting considers matters related to any connected (關聯) transaction, the connected (關聯) shareholder shall not participate in voting on his own behalf or as the proxy of another shareholder. When voting on matters relating to such connected (關聯) transaction, the shares held by the connected (關聯) shareholder shall not be counted in the total number of valid shares with voting rights.</p> <p>When the relevant connected (關聯) transaction is considered at a shareholders' general meeting, the connected (關聯) shareholder shall abstain from voting. If required to attend the meeting for explanation, the connected (關聯) shareholder shall have the responsibility and obligation to attend the meeting and make truthful statement.</p> <p>The matters for which the connected (關聯) shareholder shall abstain from voting shall be announced by chairman of the meeting when the meeting starts.</p>	<p>Article 80 The shareholders' general meeting shall be presided over and chaired by the chairman of the Board of Directors. If the chairman is unable to attend the meeting for some reason, the vice chairman of the Board of Directors designated by the chairman of the Board of Directors shall <u>preside over the meeting and act as the chairman of the meeting</u>. If the vice chairman is unable or fails to perform his duties, a director jointly elected by more than half of the directors shall <u>preside over the meeting and act as the chairman of the meeting</u>. If no director is elected to take the chair, the shareholders present at the meeting may elect a chairman. If for any reason the shareholders fail to elect a chairman of the meeting, the shareholder (including his proxy) attending the meeting and holding the largest number of shares with voting rights shall chair the meeting.</p> <p>Article 89 When a shareholders' general meeting considers matters related to any connected (關連) transaction, the connected (關連) shareholder shall not participate in voting on his own behalf or as the proxy of another shareholder. When voting on matters relating to such connected (關連) transaction, the shares held by the connected (關連) shareholder shall not be counted in the total number of valid shares with voting rights.</p> <p>When the relevant connected (關連) transaction is considered at a shareholders' general meeting, the connected (關連) shareholder shall abstain from voting. If required to attend the meeting for explanation, the connected (關連) shareholder shall have the responsibility and obligation to attend the meeting and make truthful statement.</p> <p>The matters for which the connected (關連) shareholder shall abstain from voting shall be announced by chairman of the meeting when the meeting starts.</p>

Original Article	Article as amended
<p>Article 96 The following circumstances shall be deemed to be a variation or abrogation of the rights of shareholders of a particular class:</p> <p>(I) Increasing or decreasing the number of the shares of such class or the number of a class having voting rights, distribution rights and other privileges equal or superior to the shares of such class;</p> <p>(II) Effecting a change of all or part of the shares of such class into those of another class, or effecting an exchange or creating a right of exchange of all or part of the shares of another class into those of such class;</p> <p>(III) Removing or reducing the rights in respect to accrued dividends or the accumulated dividends attached to shares of such class;</p> <p>(IV) Reducing or removing the preferential rights attached to shares of such class to receive dividends or to the distribution of assets in the event that the Company is liquidated;</p> <p>(V) Adding, removing or reducing the share conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of the Company attached to shares of such class;</p> <p>(VI) Removing or reducing the rights to receive payables from the Company in a particular currency attached to shares of such class;</p> <p>(VII) Creating a new class of shares with voting right, distribution right or other privileges equal or superior to those of the shares of such class;</p> <p>(VIII) Restricting the transfer or ownership of shares of such class or to impose additional restrictions thereto;</p> <p>(IX) Granting the right to subscribe for, or convert into, shares of such or another class;</p> <p>(X) Increasing the rights and privileges of other classes of shares;</p>	<p>Article 97 The following circumstances shall be deemed to be a variation or abrogation of the rights of shareholders of a particular class:</p> <p>(I) Increasing or decreasing the number of the shares of such class or the number of a class having voting rights, distribution rights and other privileges equal or superior to the shares of such class;</p> <p>(II) Effecting a change of all or part of the shares of such class into those of another class, or effecting an exchange or creating a right of exchange of all or part of the shares of another class into those of such class;</p> <p>(III) Removing or reducing the rights in respect to accrued dividends or the accumulated dividends attached to shares of such class;</p> <p>(IV) Reducing or removing the preferential rights attached to shares of such class to receive dividends or to the distribution of assets in the event that the Company is liquidated;</p> <p>(V) Adding, removing or reducing the share conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of the Company attached to shares of such class;</p> <p>(VI) Removing or reducing the rights to receive payables from the Company in a particular currency attached to shares of such class;</p> <p>(VII) Creating a new class of shares with voting right, distribution right or other privileges equal or superior to those of the shares of such class;</p> <p>(VIII) Restricting the transfer or ownership of shares of such class or to impose additional restrictions thereto;</p> <p>(IX) Granting the right to subscribe for, or convert into, shares of such or another class;</p> <p>(X) Increasing the rights and privileges of other classes of shares;</p>

Original Article	Article as amended
<p>(XI) Making a restructuring scheme which will result in the holders of different classes of shares bearing a disproportionate burden of obligations under such restructuring; and</p> <p>(XII) Varying or abrogating the provisions in the Articles.</p>	<p>(XI) Making a restructuring scheme which will result in the holders of different classes of shares bearing a disproportionate burden of obligations under such restructuring; and</p> <p>(XII) Varying or abrogating the provisions in <u>this chapter.</u></p>
<p>Article 102 The Company shall establish the Board of Directors, which shall comprise nine (9) directors and the number of independent non-executive directors shall not be less than three (3). The Board of Directors shall have one chairman and may have a vice chairman. The chairman and vice chairman shall be elected by more than half of all directors.</p> <p>Article 106 The Company shall have independent non-executive directors. An independent non-executive director is a director assuming no posts other than independent non-executive director and having no relation with the Company and major shareholders thereof which may hinder his independent objective judgment. The number of the independent non-executive directors shall be more than one-third of the number of members of the Board of Directors and shall not be less than three (3), at least one of whom shall have appropriate professional qualification or the accounting or related financial management expertise and meet the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.</p>	<p><u>Article 103</u> The Company shall establish the Board of Directors, which shall comprise nine (9) <u>eleven (11)</u> directors and the number of independent non-executive directors shall not be less than three (3) <u>four (4)</u>. The Board of Directors shall have one chairman and may have a vice chairman. The chairman and vice chairman shall be elected by more than half of all directors.</p> <p><u>Article 107</u> The Company shall have independent non-executive directors. An independent non-executive director is a director assuming no posts other than independent non-executive director and having no relation with the Company and major shareholders thereof which may hinder his independent objective judgment. The number of the independent non-executive directors shall be more than one-third of the number of members of the Board of Directors and shall not be less than three (3) <u>four (4)</u>, at least one of whom shall have appropriate professional qualification or the accounting or related financial management expertise and meet the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.</p>

Original Article	Article as amended
<p>Article 108 The Board of Directors is accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p>(I) To convene and report to the shareholders' general meeting;</p> <p>(II) To implement the resolutions adopted at shareholders' general meetings;</p> <p>(III) To decide on the Company's business plans and investment plans;</p> <p>(IV) To formulate the Company's annual financial budgets and final accounts;</p> <p>(V) To formulate the Company's proposal on profit distribution and plan for recovery of losses;</p> <p>(VI) To formulate proposals for increases or reduction of the Company's registered capital and proposals for the issue of corporate bonds;</p> <p>(VII) To formulate plans for repurchase of the Company's shares, or merger, division, dissolution, or change of corporate formation of the Company;</p> <p>(VIII) To consider and approve the matters in relation to purchase and disposal of material assets of a value not more than 30% of the Company's latest audited total assets, and to authorize the management team to make a decision thereon according to actual needs;</p> <p>(IX) To appoint or dismiss the Company's general manager, and to decide on the appointment or dismissal of senior management officer such as deputy general manager, chief accountant and chief engineer pursuant to the nomination of the general manager result and decide on the appointment or dismissal of the secretary to the Board of Directors pursuant to the nomination of the chairman of the Board of Directors;</p>	<p>Article 109 The Board of Directors is accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p>(I) To convene and report to the shareholders' general meeting;</p> <p>(II) To implement the resolutions adopted at shareholders' general meetings;</p> <p>(III) To decide on the Company's business plans and investment plans;</p> <p>(IV) To formulate the Company's annual financial budgets and final accounts;</p> <p>(V) To formulate the Company's proposal on profit distribution and plan for recovery of losses;</p> <p>(VI) To formulate proposals for increases or reduction of the Company's registered capital and proposals for the issue of corporate bonds;</p> <p>(VII) To formulate plans for repurchase of the Company's shares, or merger, division, dissolution, or change of corporate formation of the Company;</p> <p>(VIII) To consider and approve the matters in relation to purchase and disposal of material assets of a value not more than 30% of the Company's latest audited total assets, and to authorize the management team to make a decision thereon according to actual needs;</p> <p>(IX) To appoint or dismiss the Company's general manager, and to decide on the appointment or dismissal of senior management officer such as deputy general manager, chief accountant, chief legal officer and chief engineer pursuant to the nomination of the general manager result and decide on the appointment or dismissal of the secretary to the Board of Directors pursuant to the nomination of the chairman of the Board of Directors;</p>

Original Article	Article as amended
<p>(X) To decide on the matters relating to the remuneration of the aforesaid senior management officers;</p> <p>(XI) To formulate the Company's basic management system;</p> <p>(XII) To formulate proposals for amendment to the Articles;</p> <p>(XIII) To decide on the setup of internal management institutions of the Company;</p> <p>(XIV) Matters such as investments, acquisitions or disposals of assets, financing and connected transactions that require decisions to be made by the Board of Directors in accordance with the Hong Kong Listing Rules;</p> <p>(XV) To evaluate and determine the nature and degree of risk acceptable for the Company in achieving the strategic target, to ensure that the Company establishes and maintains an appropriate and effective risk management and internal monitoring system, to continuously supervise this system, and to ensure that check is conducted at least once a year, on whether the system of the Company and its subsidiaries is effective;</p> <p>(XVI) To decide on other major affairs of the Company, save for matters required to be resolved at shareholders' general meeting as specified under the Company Law and the Articles;</p> <p>(XVII) To exercise other functions and powers conferred by the laws, administrative regulations, the Articles and the shareholders' general meetings.</p>	<p>(X) To decide on the matters relating to the remuneration of the aforesaid senior management officers;</p> <p>(XI) To formulate the Company's basic management system;</p> <p>(XII) To formulate proposals for amendment to the Articles;</p> <p>(XIII) To decide on the setup of internal management institutions of the Company;</p> <p><u>(XIV) To decide on the setup and adjustment of the special committees of the Board;</u></p> <p>(XV) Matters such as investments, acquisitions or disposals of assets, financing and connected transactions that require decisions to be made by the Board of Directors in accordance with the Hong Kong Listing Rules;</p> <p>(XVI) To evaluate and determine the nature and degree of risk acceptable for the Company in achieving the strategic target, to ensure that the Company establishes and maintains an appropriate and effective risk management and internal monitoring system, to continuously supervise this system, and to ensure that check is conducted at least once a year, on whether the system of the Company and its subsidiaries is effective;</p> <p>(XVII) To decide on other major affairs of the Company, save for matters required to be resolved at shareholders' general meeting as specified under the Company Law and the Articles;</p> <p>(XVIII) To exercise other functions and powers conferred by the laws, administrative regulations, the Articles and the shareholders' general meetings.</p>

Original Article	Article as amended
<p>With the exception of matters specified in subparagraphs (6), (7) and (12), which shall be passed by two-thirds or more of the directors by voting, the resolutions of the Board of Directors in respect to any other aforesaid matters may be passed by more than half of all directors.</p>	<p>With the exception of matters specified in subparagraphs (6), (7) and (12), which shall be passed by two-thirds or more of the directors by voting, the resolutions of the Board of Directors in respect to any other aforesaid matters may be passed by more than half of all directors.</p> <p><u>A resolution made by the Board of Directors on a connected transaction must take effect only after consideration and approval by independent non-executive directors.</u></p>
<p>Article 110 The chairman of the Board of Directors shall exercise the following functions and powers:</p> <p>(I) To preside over the shareholders' general meetings, and to convene and preside over the meetings of the Board of Directors;</p> <p>(II) To supervise and inspect the implementation of resolutions of the Board of Directors;</p> <p>(III) To sign the securities issued by the Company;</p> <p>(IV) To exercise other functions and powers conferred by the Board of Directors.</p>	<p><u>Article 111</u> The chairman of the Board of Directors shall exercise the following functions and powers:</p> <p>(I) To preside over the shareholders' general meetings, and to convene and preside over the meetings of the Board of Directors;</p> <p>(II) To supervise and inspect the implementation of resolutions of the Board of Directors;</p> <p>(III) To sign the securities issued by the Company;</p> <p><u>(IV) To exercise the special power of verdict and disposal on the matters of the Company in accordance with laws and in the interest of the Company in the event of occurrence of force majeure, serious crisis or very urgent circumstances and to report to the Board of Directors and the Shareholders' Meeting of the Company subsequent thereto; and when necessary, to authorize the general manager of the Company to exercise the special power of disposal;</u></p> <p>(V) To exercise other functions and powers conferred by the Board of Directors.</p>

Original Article	Article as amended
<p>Article 111 The meetings of the Board of Directors shall be divided into regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors. The Board of Directors shall notify the supervisors to attend the meetings of the Board of Directors as non-voting delegates.</p> <p>Regular meetings of the Board of Directors shall be held at least four (4) times each year, approximately once a quarter and convened by the chairman of the Board of Directors. The written notice of meeting shall be sent to all the directors fourteen (14) days before the date of the meeting. The approval of directors for the regular meetings of the Board of Directors shall not be obtained through the adoption of written resolutions.</p> <p>The chairman of the Board of Directors shall convene an extraordinary meeting of the Board of Directors within ten (10) days after receiving the proposal under the following circumstances:</p> <p>(I) When proposed by shareholders holding more than one-tenth of the voting shares;</p> <p>(II) When proposed by the chairman of the Board of Directors;</p> <p>(III) When proposed by more than one-third of the directors;</p> <p>(IV) When proposed by more than two (2) independent non-executive directors;</p> <p>(V) When proposed by the Board of Supervisors;</p> <p>(VI) When proposed by the general manager.</p>	<p>Article 112 The meetings of the Board of Directors shall be divided into regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors. The Board of Directors shall notify the supervisors to attend the meetings of the Board of Directors as non-voting delegates.</p> <p>Regular meetings of the Board of Directors shall be held at least four (4) times each year, approximately once a quarter and convened by the chairman of the Board of Directors. The written notice of meeting shall be sent to all the directors fourteen (14) days before the date of the meeting. The approval of directors for the regular meetings of the Board of Directors shall not be obtained through the adoption of written resolutions. <u>A regular meeting of the Board of Directors may be held by way of communication and all participating Directors shall be deemed as having attended the meeting in person. The extraordinary meeting of the Board of Directors may be approved by Directors by written resolution.</u></p> <p>The chairman of the Board of Directors shall convene an extraordinary meeting of the Board of Directors within ten (10) days after receiving the proposal under the following circumstances:</p> <p>(I) When proposed by shareholders holding more than one-tenth of the voting shares;</p> <p>(II) When proposed by the chairman of the Board of Directors;</p> <p>(III) When proposed by more than one-third of the directors;</p> <p>(IV) When proposed by more than two (2) independent non-executive directors;</p> <p>(V) When proposed by the Board of Supervisors;</p> <p>(VI) When proposed by the general manager.</p>

Original Article	Article as amended
<p>Article 118 The Board of Directors consists of the Audit and Risk Management Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. If needed, the Board of Directors can set up other special committees and adjust the existing committees.</p>	<p>Article 119 The Board of Directors consists of the Audit and Risk Management Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, <u>the Strategy Committee and the Legal Affairs Committee</u>. If needed, the Board of Directors can set up other special committees and adjust the existing committees.</p>
<p>Article 122 The Company shall have one general manager, several deputy general managers, one chief accountant, one chief engineer and one secretary to the Board of Directors. They are appointed or dismissed by the Board of Directors.</p>	<p>Article 123 The Company shall have one general manager, several deputy general managers, one chief accountant, <u>one chief legal officer</u>, one chief engineer and one secretary to the Board of Directors. They are appointed or dismissed by the Board of Directors.</p>
<p>Article 123 The general manager is accountable to the Board of Directors and exercises the following functions and powers:</p>	<p>Article 124 The general manager is accountable to the Board of Directors and exercises the following functions and powers:</p>
<p>(I) To take charge of the production and operation of the Company, and to arrange proper resources to implement resolutions of the Board of Directors;</p> <p>(II) To arrange proper resources to implement the Company’s annual business plans and investment plans;</p> <p>(III) To draft the plans for establishment of the internal management organization;</p> <p>(IV) To draft the plans for establishment of the Company’s basic management system;</p> <p>(V) To formulate the rules and regulations of the Company;</p> <p>(VI) To employ or dismiss the management officers other than those required to be employed or dismissed by the Board of Directors;</p> <p>(VII) To propose to the Board of Directors the employment and dismissal of deputy general managers, chief accountant and chief engineer;</p> <p>(VIII) To exercise other functions and powers authorized by the Articles or by the Board of Directors.</p>	<p>(I) To take charge of the production and operation of the Company, and to arrange proper resources to implement resolutions of the Board of Directors;</p> <p>(II) To arrange proper resources to implement the Company’s annual business plans and investment plans;</p> <p>(III) To draft the plans for establishment of the internal management organization;</p> <p>(IV) To draft the plans for establishment of the Company’s basic management system;</p> <p>(V) To formulate the rules and regulations of the Company;</p> <p>(VI) To employ or dismiss the management officers other than those required to be employed or dismissed by the Board of Directors;</p> <p>(VII) To propose to the Board of Directors the employment and dismissal of deputy general managers, chief accountant, <u>chief legal officer</u> and chief engineer;</p> <p>(VIII) To exercise other functions and powers authorized by the Articles or by the Board of Directors.</p>

Original Article	Article as amended
<p>Sub-clause 2 of Article 139 Directors must satisfy the required levels of skill, care and diligence. Delegating their functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skill, care and diligence (勤勉行所).</p> <p>Article 144 Where a director, supervisor, general manager or other senior management officer of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (except for the employment contract reached between the Company and that director, supervisor, general manager or other senior management officers), he shall disclose the nature and extent of his interest to the Board of Directors at the earliest opportunity, whether or not such matters are subject to the approval of the Board of Directors under normal circumstances.</p> <p>Except for the cases mentioned in the Note 1 to Annex 3 of the Hong Kong Listing Rules or allowed by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board of Directors approving any contract, transaction or arrangement or any other relevant proposal in which he or any of his associates (as defined under the Hong Kong Listing Rules, as amended or supplemented from time to time) has a material interest nor shall he be counted in the quorum present at the meeting. Unless the interested director, supervisor, general manager or other senior management officer of the Company has disclosed his interest to the Board of Directors as required by the first paragraph of this Article and relevant matters have been approved by the Board of Directors at a meeting in which he was not counted in the quorum and has abstained from voting, the contract, transaction or arrangement is voidable at the instance of the Company except as against a <i>bona fide</i> party thereto who does not have notice of the breach of duty by the interested director, supervisor, general manager or other senior management officer.</p>	<p>Sub-clause 2 of <u>Article 140</u> Directors must satisfy the required levels of skill, care and diligence. Delegating their functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skill, care and diligence (勤勉行事).</p> <p><u>Article 145</u> Where a director, supervisor, general manager or other senior management officer of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (except for the employment contract reached between the Company and that director, supervisor, general manager or other senior management officers), he shall disclose the nature and extent of his interest to the Board of Directors at the earliest opportunity, whether or not such matters are subject to the approval of the Board of Directors under normal circumstances.</p> <p>Except for the cases mentioned in the Note 1 to Annex 3<u>4</u> of the Hong Kong Listing Rules or allowed by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board of Directors approving any contract, transaction or arrangement or any other relevant proposal in which he or any of his associates (as defined under the Hong Kong Listing Rules, as amended or supplemented from time to time) has a material interest nor shall he be counted in the quorum present at the meeting. Unless the interested director, supervisor, general manager or other senior management officer of the Company has disclosed his interest to the Board of Directors as required by the first paragraph of this Article and relevant matters have been approved by the Board of Directors at a meeting in which he was not counted in the quorum and has abstained from voting, the contract, transaction or arrangement is voidable at the instance of the Company except as against a <i>bona fide</i> party thereto who does not have notice of the breach of duty by the interested director, supervisor, general manager or other senior management officer.</p>

Original Article	Article as amended
<p>A director, supervisor, general manager or other senior management officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related party is interested.</p> <p>Article 155 The Company sets up a Party committee, which consists of one secretary and several members. In principle, the positions of both the chairman of the Board of Directors and the secretary of the Party committee are held by one person. Eligible Party committee members can join the Board of Directors, the Board of Supervisors and the management through legal procedures, and eligible members of the Board of Directors, the Board of Supervisors and the management can join the Party committee in accordance with the relevant regulation and procedure. At the same time, the Disciplinary Committee is set up as required.</p>	<p>A director, supervisor, general manager or other senior management officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related party is interested.</p> <p>Article 156 The Company sets up a Party committee, which consists of one secretary and several members. In principle, the positions of both the chairman of the Board of Directors and the secretary of the Party committee are held by one person. Eligible Party committee members can join the Board of Directors, the Board of Supervisors and the management through legal procedures, and eligible members of the Board of Directors, the Board of Supervisors and the management can join the Party committee in accordance with the relevant regulation and procedure. At the same time, the Disciplinary Committee <u>and one secretary to the Disciplinary Committee are</u> set up as required.</p>

Original Article	Article as amended
<p>Article 177 If the Company proposes to remove the accounting firm or not to renew the appointment thereof, it shall notify the accounting firm in advance, and the latter has the right to state its opinions to the shareholders’ general meeting. If the accounting firm resigns, it shall make clear to the shareholders’ general meeting whether there is any impropriety on the part of the Company.</p> <p>The accounting firm may resign from its office by depositing the written notice of resignation at the registered address of the Company. The notice shall become effective on the date of such deposit or on such later date as may be stated in the notice. The notice shall contain the following statements:</p> <ol style="list-style-type: none">1. A statement to the effect that there are no circumstances connected with its resignation that, as it considers, must be brought to the attention of the shareholders or creditors of the Company; or2. A statement of any such circumstances that should be explained.	<p>Article 178 If the Company proposes to remove the accounting firm or not to renew the appointment thereof, it shall notify the accounting firm in advance, and the latter has the right to state its opinions to the shareholders’ general meeting. If the accounting firm resigns, it shall make clear to the shareholders’ general meeting whether there is any impropriety on the part of the Company.</p> <p>The accounting firm may resign from its office by depositing the written notice of resignation at the registered address of the Company. The notice shall become effective on the date of such deposit or on such later date as may be stated in the notice. The notice shall contain the following statements:</p> <ol style="list-style-type: none">1. A statement to the effect that there are no circumstances connected with its resignation that, as it considers, must be brought to the attention of the shareholders or creditors of the Company; or2. A statement of any such circumstances that should be explained.

Original Article	Article as amended
<p>The Company shall, within fourteen (14) days of the receipt of the written notice referred to in paragraph two of this Article, send a copy of the notice to the relevant competent authority. If the notice contains a statement referred to in sub-paragraph two of the previous paragraph of this Article, a copy of such statement shall be placed at the Company for shareholders’ inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas-listed foreign shares at the address recorded in the register of shareholders.</p> <p>If the accounting firm’s notice of resignation contains a statement that is required to be contained, the accounting firm may request the Board of Directors to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances in connection with its resignation.</p>	<p>The Company shall, within fourteen (14) days of the receipt of the written notice referred to in paragraph two the above sub-clause 2 of this Article, send a copy of the notice to the relevant competent authority. If the notice contains a statement referred to in sub-paragraph two of the previous paragraph of this Article, a copy of such statement shall be placed at the Company for shareholders’ inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas-listed foreign shares at the address recorded in the register of shareholders.</p> <p>If the accounting firm’s notice of resignation contains a statement that is required to be contained, the accounting firm may request the Board of Directors to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances in connection with its resignation.</p>

Original Article	Article as amended
<p>Article 195 Amendments to the Articles that involve the contents of the Mandatory Provisions shall become effective upon approval by the approving department authorized by the State Council and securities regulatory authority of the State Council. Where amendments involve the registered particulars of the Company, application shall be made for alteration of registration in accordance with the law.</p> <p>Article 197 The contents that, according to the Mandatory Provisions, shall be stated clearly in the Articles for the limited stock companies listed in Hong Kong do not have to be loaded into the Articles for the limited stock companies listed in regions or countries other than Hong Kong.</p> <p>All the Chinese term “公司章程” in Articles 38, 42, 53, 56, 68, 86, 87, 95, 97, 104, 114, 116, 125, 129, 135, 181, and 194</p>	<p>Article 196 Amendments to the Articles that involve the contents of the Mandatory Provisions shall become effective after approval by a shareholders’ general meeting upon approval by the approving department authorized by the State Council and securities regulatory authority of the State Council. Where amendments involve the registered particulars of the Company, application shall be made for alteration of registration in accordance with the law.</p> <p>Article 197 The contents that, according to the Mandatory Provisions, shall be stated clearly in the Articles for the limited stock companies listed in Hong Kong do not have to be loaded into the Articles for the limited stock companies listed in regions or countries other than Hong Kong.</p> <p>Amended to “<u>本章程</u>”</p>

1. FINANCIAL INFORMATION

Financial information of the Company for the three years ended 31 December 2017 is disclosed in the Prospectus, and financial information of the Company for the year ended 31 December 2018 is disclosed in the 2018 annual report of the Company, hyperlinks to which are set out below:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0622/LTN20180622029.pdf>

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0426/LTN20190426745.pdf>

2. 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 2018, being the date to which the latest published audited accounts of the Company were made up.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group and the proposed continuing connected transactions contemplated under the 2019 Financial Services Agreement, the Directors are of the opinion that the Group has sufficient working capital for its present requirements that is for at least 12 months from the date of this circular.

4. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) long-term borrowings of RMB135.0 million which represents an interest-bearing five-year bank loan that is secured by certain of the Group's land lease prepayments and time deposits with original maturity over three months, and jointly guaranteed by the shareholders of that subsidiary; (ii) short-term borrowings of RMB80.0 million, which represent interest-bearing unsecured and unguaranteed bank loans; (iii) short-term borrowings of RMB1.0 million, which represents an interest-bearing bank loan guaranteed by a third party of the Group; (iv) short-term borrowings of RMB2.0 million, which represents an interest-bearing bank loan secured by certain of the Group's plants and guaranteed by a third party of the Group; (v) short-term borrowings of RMB2.0 million, which represents an interest-bearing bank loan guaranteed by a third party of the Group, of which RMB0.14 million is secured by certain of the Group's plants; and (vi) lease liabilities of RMB 38.8 million.

Save as disclosed, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, mortgages, charges, guarantees or other material contingent liabilities as at the close of business on 30 April 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular.

5. FINANCIAL AND TRADING PROSPECTS

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 historical cooperative relationship 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, engaging CNNCFC enables the Company to reduce costs, maximise efficiency and benefit from the capital pool managed by CNNC.

In respect of the 2019 Financial Services Agreement, (i) deposits to be placed by the Group with CNNC and/or its associates will generate interest income for the Company and (ii) entrusted loan, settlement, foreign exchange and other services, as well as financial leasing services, to be provided by CNNC and/or its associates to the Group are not expected to have any significant effect on the Group's earnings, assets and liabilities.

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 (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
CNNC ⁽¹⁾	Domestic Shares	Beneficial owner/ Interest of controlled corporation	236,150,233 (L)	98.43	73.83
China Institute of Atomic Energy (“CIAE”)	Domestic Shares	Beneficial owner	58,534,835 (L)	24.40	18.30
Nuclear Power Institute of China (“NPIC”)	Domestic Shares	Beneficial owner	46,994,835 (L)	19.59	14.69

Shareholder	Class of shares	Nature of interest	Number of shares held ⁽⁶⁾	Approximate percentage of shareholding in the relevant class (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
Beijing CNNC Industry Investment Fund (LLP) (“CNNC Fund”)	Domestic Shares	Beneficial owner	18,779,342 (L)	7.83	5.87
Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”) ⁽²⁾	H Shares	Interest of controlled corporation	19,912,400 (L)	24.90	6.23
Shanghai Industrial Investment Treasury Company Limited ⁽²⁾	H Shares	Interest of controlled corporation	11,906,400 (L)	14.89	3.72
Shanghai Investment Holdings Limited ⁽²⁾	H Shares	Interest of controlled corporation	11,906,400 (L)	14.89	3.72
Shanghai Industrial Holdings Limited (“SIHL”) ⁽²⁾	H Shares	Interest of controlled corporation	11,906,400 (L)	14.89	3.72
S.I. Infrastructure (Holdings) Limited ⁽²⁾	H Shares	Interest of controlled corporation	11,906,400 (L)	14.89	3.72
Sure Advance Holdings Limited (“Sure Advance”) ⁽²⁾	H Shares	Beneficial owner	11,906,400 (L)	14.89	3.72
Shanghai Shangshi (Group) Co., Ltd. (“Shanghai Shangshi”) ⁽²⁾	H Shares	Interest of controlled corporation	8,006,000 (L)	10.01	2.50
Shanghai Pharmaceuticals Holding Co. Ltd (“SPH”) ⁽²⁾	H Shares	Interest of controlled corporation	8,006,000 (L)	10.01	2.50
Shanghai Pharmaceuticals (HK) Investment Limited (“SPH HK”)	H Shares	Beneficial owner	8,006,000 (L)	10.01	2.50

Shareholder	Class of shares	Nature of interest	Number of shares held ⁽⁶⁾	Approximate percentage of shareholding in the relevant class (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
Beijing State-owned Assets Management Co., Ltd. ⁽³⁾	H Shares	Interest of controlled corporation	10,899,000 (L)	13.63	3.41
Beijing Industrial Developing Investment Management Co., Ltd.	H Shares	Beneficial owner	10,899,000 (L)	13.63	3.41
China Structural Reform Fund Corporation Limited	H Shares	Beneficial owner	8,155,000 (L)	10.20	2.55
Serenity Capital Management, Ltd. ⁽⁴⁾	H Shares	Investment manager	4,801,600 (L)	6.00	1.50
Serenity Investment Master Fund Limited	H Shares	Beneficial owner	4,801,600 (L)	6.00	1.50
Pandanus Associates Inc. (“ Pandanus Associates ”) ⁽⁵⁾	H Shares	Interest of controlled corporation	4,816,200 (L)	6.02	1.51
Pandanus Partners L.P. (“ Pandanus Partners ”) ⁽⁵⁾	H Shares	Interest of controlled corporation	4,816,200 (L)	6.02	1.51
FIL Limited (“ FIL ”) ⁽⁵⁾	H Shares	Interest of controlled corporation	4,816,200 (L)	6.02	1.51
Fidelity China Special Situations PLC (“ Fidelity China ”)	H Shares	Beneficial owner	4,816,200 (L)	6.02	1.51

Notes:

- (1) CNNC directly holds 106,676,903 Domestic Shares of the Company, representing approximately 44.47% of the domestic share capital of the 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, respectively, representing approximately 24.40% and 19.59% of the domestic share capital of the 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 the Company. Each of CNNC 404 Company Limited (“**404 Company**”) and Baoyuan Investment Co., Ltd (“**Baoyuan Investment**”) 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 the Company, respectively. CNNC is deemed to be interested in the Domestic Shares held by CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment under the SFO, which in aggregate represents approximately 98.43% of the domestic share capital of the Company.

- (2) By virtue of the SFO, SIIC is deemed to be interested in a total of 19,912,400 H Shares, of which 11,906,400 H Shares and 8,006,000 H Shares are held by Sure Advance and SPH HK, each being 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 holds 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 holds 100% equity interest in Sure Advance. In addition, SIIC directly holds 100% equity interest in Shanghai Shangshi, which directly holds 33.60% equity interest in SPH, while SPH directly holds 100% equity interest in SPH HK.
- (3) Beijing Industrial Developing Investment Management Co., Ltd. is a direct wholly-owned subsidiary of Beijing State-owned Assets Management Co., Ltd. By virtue of the SFO, Beijing State-owned Assets Management Co., Ltd. is deemed to be interested in the 10,899,000 H Shares held by Beijing Industrial Developing Investment Management Co., 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 4,801,600 H Shares held by Serenity Investment Master Fund Limited.
- (5) Fidelity China is managed by FIL Investment Services (UK) Limited, which is an indirectly wholly-owned subsidiary of FIL. By virtue of the SFO, FIL is deemed to be interested in the 4,816,200 H Shares held by Fidelity China. FIL is indirectly controlled by Pandanus Partners which, in turn, is indirectly wholly-owned by Pandanus Associates. By virtue of the SFO, Pandanus Partners is deemed to be interested in the 4,816,200 H Shares held by FIL and Pandanus Associates is deemed to be interested in the 4,816,200 H Shares held by Pandanus Partners.
- (6) (L) represents long position.

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 2018 (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
Platinum Securities Company 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 2018 (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 24 to 34 of this circular and are given for incorporation in this circular.

5. GENERAL

- (i) The Company's registered office is at Room 611, 6/F, Fuxingmenwai Street No. A2, Xicheng District, Beijing, the PRC.
- (ii) The Company's head office and principal place of business in the PRC is No. 1 Nansixiang Sanlihe, Xicheng District, Beijing, the PRC.
- (iii) The Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

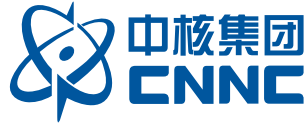
- (iv) The Company's joint company secretaries are Mr. Wu Laishui and Ms. Kam Mei Ha Wendy. Ms. Kam is a fellow member of both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.
- (v) The Company's H share registrar is Computershare Hong Kong Investor Services Limited, whose business address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (vi) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the AGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the 2018 Financial Services Agreement;
- (iii) the 2019 Financial Services Agreement;
- (iv) the letter from the Board, the text of which is set out on pages 4 to 22 of this circular;
- (v) the letter from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 34 of this circular;
- (vii) the written consent of the Independent Financial Adviser referred to in the paragraph headed "Expert's Qualification and Consent" above in this appendix;
- (viii) the Prospectus;
- (ix) the Company's 2018 annual report; and
- (x) this circular.

NOTICE OF ANNUAL GENERAL MEETING



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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN by the board (the “**Board**”) of directors (the “**Directors**”) of China Isotope & Radiation Corporation (the “**Company**”) that the annual general meeting of the Company (the “**AGM**”) will be held at 9:30 a.m. on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng 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 2018 report of the Board.
2. To consider and approve the 2018 report of the board of supervisors of the Company.
3. To consider and approve the 2018 final accounts of the Company.
4. To consider and approve the 2019 financial budget plan of the Company.
5. To consider and approve the proposed amendments to the rules of procedures for general meetings.
6. To consider and approve the proposed amendments to the rules of procedures for meetings of the Board.
7. To consider and approve the proposed amendments to the working rules for independent non-executive Directors.
8. To consider and approve the proposed declaration and distribution of a final dividend in the amount of RMB0.1226 per share (inclusive of tax) for the year ended 31 December 2018 (the “**Final Dividend**”).
9. To consider and approve the re-appointment of KPMG as the Company’s auditor for the year ending 31 December 2019, for a term of office until the next annual general meeting of the Company, and to authorise the Board to determine its remuneration.
10. To consider and approve the appointment of Mr. Chen Shoulei as a non-executive Director.
11. To consider and approve the appointment of Mr. Chen Zongyu as a non-executive Director.
12. To consider and approve the appointment of Mr. Zhang Guoping, as a supervisor of the Company.

NOTICE OF ANNUAL GENERAL MEETING

13. To consider and approve the proposed change in use of proceeds from the global offering of H Shares in July 2018 as set out in the circular of the Company dated 14 May 2019 (the “Circular”).
14. To consider and approve the financial services agreement proposed to be entered into between the Company and China Nuclear National Corporation for a term commencing on the date of passing of this resolution until the next annual general meeting to be held by the Company in 2020, the transactions contemplated thereunder and the proposed annual caps of the services to be provided thereunder.

SPECIAL RESOLUTIONS

15. To consider and approve the proposed amendments to the articles of association of the Company set out in the Circular.
16. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

THAT:

- (a) subject to paragraph (c) below, a general mandate be and is hereby generally and unconditionally given to the Directors to allot, issue and deal with additional shares of the Company, whether Domestic Shares or H Shares, and to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the Relevant Period (as defined below) in accordance with all applicable laws, rules and regulations;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal value of Shares, whether Domestic Shares or H Shares, allotted, issued or dealt with, or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate in paragraphs (a) and (b) above shall not exceed (i) 20% of the aggregate nominal value of Domestic Shares in issue and (ii) 20% of the aggregate nominal value of H Shares in issue, each as at the date of passing this resolution;
- (d) the Board shall only exercise its power under such mandate in accordance with the Company Law of the People’s Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant authorities are obtained; and
- (e) for the purposes of this resolution:

“Domestic Shares” means 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 Renminbi;

“H Shares” means 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 Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited; and

NOTICE OF ANNUAL GENERAL MEETING

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the twelve months following the date of passing this resolution; and (iii) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company (the “Shareholders”) in general meeting.

17. To consider, approve and confirm compliance by the Company with the conditions for the public issuance of corporate bonds to eligible investors.
18. To consider and approve the proposed issue of corporate bonds by the Company with an aggregate principal amount of not more than RMB500 million (inclusive) on the terms and subject to the conditions set out in the Circular (the “Issue”).
19. To authorise the chairman of the Board to deal with, in his sole discretion, all matters relating to the Issue of corporate bonds subject to the passing of resolution numbered 18.

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

Beijing, the PRC, 14 May 2019

As at the date of this notice, the Board comprises Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin as executive Directors; Mr. Zhou Liulai as non-executive Director; and Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai as independent non-executive Directors.

Notes:

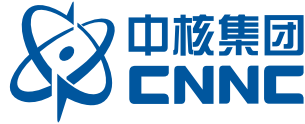
1. The register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (both dates inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on 28 June 2019 will be entitled to attend and vote at the AGM. In order to be qualified to attend and vote at the AGM, 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, for registration no later than 4:30 p.m. on Tuesday, 28 May 2019.
2. The register of members of the Company will be closed from Friday, 5 July 2019 to Wednesday, 10 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 10 July 2019 will be entitled to receive the Final Dividend. In order to be entitled to the Final Dividend, 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, for registration no later than 4:30 p.m. on Thursday, 4 July 2019.

NOTICE OF ANNUAL GENERAL MEETING

3. Each Shareholder who is entitled to attend and vote at the AGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a Shareholder.
4. 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.
5. 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, as soon as possible but in any event no later than 24 hours before the time stipulated for holding the AGM (i.e. before 9:30 a.m. on Thursday, 27 June 2019) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM 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.
6. Shareholders or their proxies should produce proof of identity when attending the AGM. 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 AGM 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 AGM.
7. Shareholders who intend to attend the AGM in person or by proxy are required to complete and return the reply slip in accordance with the instructions printed thereon 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. 1 Nansixiang Sanlihe, Xicheng District, Beijing, China, on or before Saturday, 8 June 2019.
8. If Shares are held by joint holders, any such person may vote in person or by proxy at the AGM 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 AGM 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.
9. The AGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the AGM in person are responsible for their own transportation and accommodation expenses.
10. Contact information of the Company

Address: No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China (For the attention of the Joint Company Secretary)
Tel: +86 10 68511807
Fax: +86 10 68512374
Email: ir@circ.com.cn
11. References to dates and times in this notice are to Hong Kong dates and times.

NOTICE OF H SHARES CLASS MEETING



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 H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN by the board (the “**Board**”) of directors (the “**Directors**”) of China Isotope & Radiation Corporation (the “**Company**”) that the H shares class meeting of the Company (the “**H Shares Class Meeting**”) will be held at 10:30 a.m. or immediately after the conclusion of the annual general meeting of the Company or any adjournment thereof on Friday, 28 June 2019 at Room 518, 5/F, No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China by way of physical meeting to consider and, if thought fit, approve the following resolution of the Company:

SPECIAL RESOLUTION

1. To consider and approve the proposed amendments to the articles of association of the Company as set out in the circular of the Company dated 14 May 2019.

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

Beijing, the PRC, 14 May 2019

As at the date of this notice, the Board comprises Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin as executive Directors; Mr. Zhou Liulai as non-executive Director; and Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai as independent non-executive Directors.

Notes:

1. The register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (both dates inclusive), during which period no transfer of H Shares will be effected. Shareholders whose names appear on the register of members of the Company on 28 June 2019 will be entitled to attend and vote at the H Shares Class Meeting. In order to be qualified to attend and vote at the H Shares Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration no later than 4:30 p.m. on Tuesday, 28 May 2019.
2. Each shareholder of the Company (“**Shareholder**”) who is entitled to attend and vote at the H Shares Class Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a Shareholder.

NOTICE OF H SHARES CLASS MEETING

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 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, as soon as possible but in any event no later than 24 hours before the time stipulated for holding the H Shares Class Meeting (i.e. before 10:30 a.m. on Thursday, 27 June 2019) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the H Shares Class Meeting 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 H Shares Class Meeting. 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 H Shares Class Meeting 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 H Shares Class Meeting.
6. Shareholders who intend to attend the H Shares Class Meeting in person or by proxy are required to complete and return the reply slip in accordance with the instructions printed thereon to 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 on or before Saturday, 8 June 2019.
7. If the Shares are held by joint holders, any such person may vote in person or by proxy at the H Shares Class Meeting 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 H Shares Class Meeting 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.
8. The H Shares Class Meeting is expected to last for no more than half a day. Shareholders (or their proxies) attending the H Shares Class Meeting in person are responsible for their own transportation and accommodation expenses.
9. Contact information of the Company

Address: No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China
(For the attention of the Joint Company Secretary)
Fax: +86 10 68512374
Tel: +86 10 68511807
Email: ir@circ.com.cn
10. References to dates and times in this notice are to Hong Kong dates and times.