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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2020**

**ANNUAL RESULTS**

The board of directors (the “**Board**”) of China Isotope & Radiation Corporation (the “**Company**”, together with its subsidiaries, the “**Group**” or “**we**”) is pleased to announce the consolidated financial statements of the Group for the year ended 31 December 2020 (“**2020**” or the “**Reporting Period**”), which are audited by the Company’s auditor, KPMG, together with the comparative figures for the same period of 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**for the year ended 31 December 2020**  
*(Expressed in Renminbi (“RMB”))*

	<i>Note</i>	<b>2020</b> <b>RMB’000</b>	<b>2019</b> <b>RMB’000</b>
Revenue	4	<b>4,274,183</b>	3,988,904
Cost of sales		<u><b>(1,658,196)</b></u>	<u>(1,159,577)</u>
<b>Gross profit</b>		<b>2,615,987</b>	2,829,327
Other income	5	<b>79,294</b>	68,711
Selling and distribution expenses		<b>(1,442,556)</b>	(1,687,501)
Administrative expenses		<b>(604,098)</b>	(509,268)
Impairment (loss)/gain on trade and other receivables		<u><b>(22,173)</b></u>	<u>19,325</u>
<b>Profit from operations</b>		<b>626,454</b>	720,594
Finance costs	6(a)	<b>(46,656)</b>	(18,758)
Share of profits less losses of associates		<b>(12,028)</b>	2,141
Share of profits of joint ventures		<u><b>28,393</b></u>	<u>29,830</u>
<b>Profit before taxation</b>	6	<b>596,163</b>	733,807
Income tax	7	<u><b>(120,640)</b></u>	<u>(108,882)</u>
<b>Profit for the year</b>		<u><b>475,523</b></u>	<u>624,925</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>213,582</b>	329,030
Non-controlling interests		<u><b>261,941</b></u>	<u>295,895</u>
<b>Profit for the year</b>		<u><b>475,523</b></u>	<u>624,925</u>
<b>Earnings per share</b>	8		
Basic and diluted (RMB)		<u><b>0.67</b></u>	<u>1.03</u>

The notes on page 6 to 17 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 9.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*for the year ended 31 December 2020*

*(Expressed in RMB)*

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<b>475,523</b>	624,925
<b>Other comprehensive income for the year</b> <b>(after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of share of profits less losses of an associate	<b>(1,805)</b>	1,141
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	<b>(513)</b>	(2,622)
Equity investments at FVOCI-net movement in fair value reserve (non-recycling)	<b>(10,858)</b>	16,801
<b>Other comprehensive income for the year</b>	<b>(13,176)</b>	15,320
<b>Total comprehensive income for the year</b>	<b>462,347</b>	640,245
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>200,517</b>	344,381
Non-controlling interests	<b>261,830</b>	295,864
<b>Total comprehensive income for the year</b>	<b>462,347</b>	640,245

The notes on page 6 to 17 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2020**  
*(Expressed in RMB)*

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,210,150</b>	1,987,037
Investment property		<b>20,768</b>	22,425
Intangible assets		<b>148,363</b>	108,382
Goodwill		<b>43,875</b>	43,875
Interests in associates		<b>65,263</b>	61,543
Interest in joint ventures		<b>552,748</b>	529,396
Long-term receivables		<b>35,440</b>	33,784
Unquoted equity investments		<b>137,014</b>	151,492
Deferred tax assets		<b>200,556</b>	265,045
		<u>3,414,177</u>	<u>3,202,979</u>
<b>Current assets</b>			
Inventories		<b>590,025</b>	444,364
Trade and bill receivables	<i>10</i>	<b>2,368,502</b>	2,187,746
Prepayments, deposits and other receivables		<b>256,095</b>	263,400
Cash at bank and on hand		<b>2,556,493</b>	2,744,883
		<u>5,771,115</u>	<u>5,640,393</u>
<b>Current liabilities</b>			
Bank loans		<b>90,220</b>	191,215
Trade payables	<i>11</i>	<b>199,503</b>	173,556
Accruals and other payables		<b>2,327,407</b>	2,368,775
Lease liabilities		<b>29,907</b>	27,809
Provisions		<b>73,906</b>	69,598
Income tax payable		<b>51,226</b>	98,220
		<u>2,772,169</u>	<u>2,929,173</u>
<b>Net current assets</b>		<u><b>2,998,946</b></u>	<u>2,711,220</u>
<b>Total assets less current liabilities</b>		<u><b>6,413,123</b></u>	<u>5,914,199</u>

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank loans		<b>72,762</b>	97,235
Corporate bond		<b>499,784</b>	499,682
Deferred income		<b>59,146</b>	55,084
Lease liabilities		<b>56,971</b>	57,659
Defined benefit retirement obligation		<b>53,503</b>	52,094
Deferred tax liabilities		<b>14,186</b>	18,383
Provisions		<b>125,861</b>	119,814
Other long-term payables		<b>25,300</b>	10,815
		<u><b>907,513</b></u>	<u>910,766</u>
<b>Net assets</b>		<u><b>5,505,610</b></u>	<u>5,003,433</u>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>319,875</b>	319,875
Reserves		<u><b>3,571,323</b></u>	<u>3,439,471</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,891,198</b>	3,759,346
<b>Non-controlling interests</b>		<u><b>1,614,412</b></u>	<u>1,244,087</u>
<b>Total equity</b>		<u><b>5,505,610</b></u>	<u>5,003,433</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Expressed in RMB unless otherwise indicated)*

### **1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the equity investments are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **3 CHANGES IN ACCOUNTING POLICIES**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior years have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Group is principally engaged in research, development, manufacturing and sale of a broad range of pharmaceuticals and radioactive source products, also design, manufacturing, construction and installation of gamma ray irradiation facilities, provision of irradiation service for sterilisation purpose, and sale of radiation therapy equipment as well as independent clinical medical and laboratory services.

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products of service lines		
– sales of pharmaceuticals	2,970,402	3,300,985
– sales of radioactive source products	412,300	331,838
– sales of radiation therapy equipment	136,366	72,492
– irradiation services	96,351	74,946
– technical services	142,927	91,908
– revenue from construction contracts	6,271	10,067
– independent clinical medical and laboratory services	129,375	74,262
– others	380,191	32,406
	<u>4,274,183</u>	<u>3,988,904</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in 2020 and 2019.

**(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.**

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB10,746,000 (2019: RMB463,500). This amount mainly represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within the next 12 months.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

**(b) Segment reporting**

The Group manages its businesses by divisions, which are mainly organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Pharmaceuticals: manufacturing and sale of a range of imaging diagnostic and therapeutic radio pharmaceuticals imaging, UBT diagnostic kits and test analyzers, in vitro immunoassay diagnostic reagents and kits and other products.
- Radioactive source products: sale of medical and industrial radioactive source products and technical services.
- Irradiation: provision of irradiation services to manufacturers of medical facilities, pharmaceuticals, cosmetics and food in the PRC for sterilisation purposes, and also design, manufacturing and installation of gamma ray irradiation facilities to irradiation service providers.
- Radiation therapy equipments and related services: sale of radiation therapy equipments and provision of related maintenance services.
- Independent clinical medical and laboratory services and other businesses: provision of independent clinical medical and laboratory services for customers, sale of radiation therapy equipment and other miscellaneous services.

**(i) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources among segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. The Group's other income and expense items, such as other income, selling and distribution expenses, administrative and other operating expenses, and assets and liabilities, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.



Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Year ended 31 December 2020					
	Pharmaceuticals <i>RMB'000</i>	Radioactive source products <i>RMB'000</i>	Irradiation <i>RMB'000</i>	Radiation therapy equipments and related services <i>RMB'000</i>	Independent clinical medical and laboratory services and other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	2,979,582	452,058	96,351	136,366	509,566	4,173,923
Over time	-	-	6,271	93,989	-	100,260
<b>Revenue from external customers</b>	<b>2,979,582</b>	<b>452,058</b>	<b>102,622</b>	<b>230,355</b>	<b>509,566</b>	<b>4,274,183</b>
Inter-segment revenue	614	19,307	59	3,493	1,777	25,250
<b>Reportable segment revenue</b>	<b>2,980,196</b>	<b>471,365</b>	<b>102,681</b>	<b>233,848</b>	<b>511,343</b>	<b>4,299,433</b>
<b>Reportable segment profit (gross profit)</b>	<b>2,159,867</b>	<b>214,106</b>	<b>49,346</b>	<b>71,708</b>	<b>128,888</b>	<b>2,623,915</b>
	Year ended 31 December 2019					
	Pharmaceuticals <i>RMB'000</i>	Radioactive source products <i>RMB'000</i>	Irradiation <i>RMB'000</i>	Radiation therapy equipments and related services <i>RMB'000</i>	Independent clinical medical and laboratory services and other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	3,311,097	379,121	74,946	72,492	106,668	3,944,324
Over time	-	-	10,067	34,513	-	44,580
<b>Revenue from external customers</b>	<b>3,311,097</b>	<b>379,121</b>	<b>85,013</b>	<b>107,005</b>	<b>106,668</b>	<b>3,988,904</b>
Inter-segment revenue	3,231	22,574	-	-	13,497	39,302
<b>Reportable segment revenue</b>	<b>3,314,328</b>	<b>401,695</b>	<b>85,013</b>	<b>107,005</b>	<b>120,165</b>	<b>4,028,206</b>
<b>Reportable segment profit (gross profit)</b>	<b>2,545,571</b>	<b>185,414</b>	<b>32,925</b>	<b>26,828</b>	<b>43,603</b>	<b>2,834,341</b>

**(ii) Reconciliations of reportable segment profit (gross profit)**

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Reportable segment profit (gross profit)	<b>2,623,915</b>	2,834,341
Elimination of inter-segment profit (gross profit)	<b>(7,928)</b>	(5,014)
Consolidated gross profit	<b><u>2,615,987</u></b>	<u>2,829,327</u>

**(iii) Geographic information**

All of the Group's operations are carried out and most of the Group's customers are located in the PRC. The Group's non-current assets, including property, plant and equipment, investment property, lease prepayments and intangible assets are all located or allocated to operations located in the PRC.

**5 OTHER INCOME**

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Interest income	<b>39,158</b>	37,565
Government grants	<b>23,634</b>	7,967
Dividend income	<b>7,792</b>	10,162
Rental income from operating leases	<b>6,555</b>	5,872
Net foreign exchange (loss)/gain	<b>(1,710)</b>	2,317
Net loss on disposal of property, plant and equipment	<b>(1,113)</b>	(977)
Others	<b>4,978</b>	5,805
	<b><u>79,294</u></b>	<u>68,711</u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interests on bank loans	21,374	14,341
Interests on corporate bond	19,102	–
Interests on lease liabilities	4,297	3,490
Less: interest expense capitalised into construction in progress	<u>(5,619)</u>	<u>(5,849)</u>
	39,154	11,982
Interest accretion on reclamation obligations, net	3,963	3,738
Interest cost on defined benefit retirement plans	1,776	1,521
Interest cost on long-term payables	<u>1,763</u>	<u>1,517</u>
	<u><b>46,656</b></u>	<u><b>18,758</b></u>

The borrowing costs have been capitalised a rate of 4.75% per annum (2019: 4.99%).

### (b) Staff costs #

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	472,865	462,823
Cash settled share-based payment expenses	12,738	–
Contributions to defined contribution retirement plans	6,090	56,687
Expenses recognised in respect of defined benefit retirement plans	<u>1,049</u>	<u>937</u>
	<u><b>492,742</b></u>	<u><b>520,447</b></u>

(c) **Other items**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation #		
– property, plant and equipment	<b>151,808</b>	121,755
– investment property	<b>1,241</b>	1,516
Amortisation #		
– intangible assets	<b>18,776</b>	8,412
Recognise/(reverse) impairment losses		
– trade and bill receivables	<b>19,565</b>	(19,718)
– prepayments, deposits and other receivables	<b>2,608</b>	393
– property, plant and equipment	<b>4,152</b>	3,848
Auditors' remuneration		
– audit services	<b>3,418</b>	3,123
Research and development costs (other than amortisation costs)	<b>148,161</b>	102,717
Increase in provisions for reclamation obligations	<b>4,347</b>	2,391
Cost of inventories #	<b>1,477,564</b>	996,054

# Cost of inventories includes RMB310,985,000 (2019: RMB286,551,000) relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

**7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

(a) **Taxation in the consolidated statement of profit or loss represents:**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax</b>		
Provision for the year	<b>75,382</b>	159,407
(Over)/under provision in respect of prior years	<b>(18,654)</b>	4,983
	<b>56,728</b>	164,390
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>63,912</b>	(55,508)
	<b>120,640</b>	108,882

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<b>596,163</b>	733,807
National tax on profit before taxation at PRC statutory tax rate	<b>149,041</b>	183,452
Tax effect of non-deductible expenses	<b>7,507</b>	7,723
Tax effect of non-taxable income	<b>(6,039)</b>	(10,533)
Tax effect of unused tax losses and temporary differences not recognised	<b>27,318</b>	22,432
Tax concessions ( <i>Note (ii)</i> )	<b>(50,614)</b>	(80,822)
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised in current year	<b>(4,134)</b>	(975)
(Over)/under provision in respect of prior years	<b>(18,654)</b>	4,983
Tax effect of changes in tax rate	<b>17,041</b>	(15,464)
Others	<b>(826)</b>	(1,914)
Actual tax expense	<b>120,640</b>	108,882

*Notes:*

- (i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2019: 25%).
- (ii) Certain subsidiaries of the Group are approved High and New Technology Enterprises and subject to a preferential PRC Corporate Income Tax rate of 15% during the approved period, subject to fulfillment of recognition criteria.

## 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB213,582,000 (2019: RMB329,030,000) and the weighted average of 319,874,900 ordinary shares (2019: 319,874,900 ordinary shares), calculated as follows:

### *Weighted average number of ordinary shares*

	2020	2019
Ordinary shares at 1 January	319,874,900	319,874,900
Effect of issue of ordinary shares	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u><u>319,874,900</u></u>	<u><u>319,874,900</u></u>

The Company did not have any potential dilutive shares in existence during the years ended 31 December 2020 and 2019. Accordingly, diluted earnings per share is the same as basic earnings per share.

## 9 DIVIDENDS

### (i) Dividends payable to equity shareholders of the Company attributable to the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB18.03 cents per ordinary share (2019: RMB13.89 cents per ordinary share)	<u>57,673</u>	<u>44,431</u>
	<u><u>57,673</u></u>	<u><u>44,431</u></u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB13.89 cents per share (2019: RMB12.26 cents per share)	<u>44,431</u>	<u>39,217</u>

**10 TRADE AND BILL RECEIVABLES**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Bill receivables	<b>53,197</b>	34,898
Trade receivables due from		
– related parties under CNNC	<b>17,516</b>	16,062
– associates and joint ventures	<b>57,038</b>	77,133
– third parties	<b>2,382,279</b>	2,187,676
	<b>2,506,127</b>	2,315,769
Less: loss allowance	<b>141,528</b>	128,023
	<b>2,368,502</b>	2,187,746

All of the trade and bill receivables, net of allowance for doubtful debts, are expected to be recovered within one year.

**Aging analysis**

The aging analyses of trade and bill receivables, based on the invoice dates and net of loss allowance, are as follows:

	<b>2020 RMB'000</b>	2019 RMB'000
Within 1 year	<b>2,073,272</b>	2,032,336
1 to 2 years	<b>256,320</b>	116,179
2 to 3 years	<b>26,997</b>	32,634
Over 3 years	<b>11,913</b>	6,597
	<b>2,368,502</b>	2,187,746

Trade and bills receivables are required to be settled in accordance with contract terms and are generally due immediately without credit period.

As at 31 December 2020, bill receivables amounting to RMB3,996,000 (2019: RMB2,581,000) was measured at FVOCI. The fair value of bill receivables was at a level 2 fair value measurement which has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the year, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3 (2019: Nil).

## 11 TRADE PAYABLES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables due to		
– related parties under CNNC	<b>21,602</b>	24,858
– associates and joint ventures	<b>3,994</b>	5,035
– third parties	<b>173,907</b>	143,663
	<b>199,503</b>	173,556

### (a) Aging analysis

As of the end of the reporting period, the aging analyses of trade payables, based on the invoice dates, are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<b>164,610</b>	158,474
1 to 2 years	<b>29,250</b>	9,830
2 to 3 years	<b>5,643</b>	5,252
	<b>199,503</b>	173,556

All of the trade payables are expected to be settled within one year or are repayable on demand.



## 12 SHARE CAPITAL

	<u>2020</u>		<u>2019</u>	
	<u>No. of shares</u>		<u>No. of shares</u>	
	<u>'000</u>	<u>RMB'000</u>	<u>'000</u>	<u>RMB'000</u>
<b>Ordinary shares issued</b>				
At 1 January	<b>319,875</b>	<b>319,875</b>	319,875	319,875
Shares issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<b><u>319,875</u></b>	<b><u>319,875</u></b>	<b><u>319,875</u></b>	<b><u>319,875</u></b>

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 6 July 2018, the Company issued 79,968,700 H shares with par value of RMB1.00 per share at a price of HKD21.6 per share by way of initial public offering to Hong Kong and overseas investors. On 3 August 2018, the over-allotment option granted by the Company was partially exercised. The Company issued and allotted an aggregate of 100 H shares at HKD21.6 each. After the issuance and allotment of these shares, the registered and issued ordinary shares of the Company increased to 319,874,900 shares with 79,968,800 H shares being listed on The Stock Exchange.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### BUSINESS REVIEW

For the year ended 31 December 2020, we operated five business segments, namely pharmaceuticals, radioactive source products, irradiation, independent clinical medical and laboratory services and other business and radiation therapy equipments and related services. The outbreak of the COVID-19 pandemic at the beginning of 2020 exerted a significant impact on our businesses, especially the radiopharmaceutical business. Faced with the severe test brought by the pandemic, the Group earnestly took effective measures to unswervingly prevent and control the pandemic, and promote the resumption of work and production in a targeted and orderly manner, striving to minimise the impact of the pandemic. With a bettering situation of epidemic prevention and control, various indicators of our business operations improved month by month. Revenue achieved for 2020 was RMB4,274.2 million, representing a year-on-year increase of 7.2%. Net profit for the year was RMB475.5 million, representing a year-on-year decrease of 23.9%, and net profit attributable to equity shareholders of the Company was RMB213.6 million, representing a year-on-year decrease of 35.1%.

### Business Segments

#### 1. *Pharmaceuticals*

We are a leading manufacturer of diagnostic and therapeutic radiopharmaceuticals in China, primarily engaged in the research, development, manufacturing and sale of a wide range of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers and in vitro diagnostic reagents and kits in the domestic market.

During the Reporting Period, CIRC adhered to the strategic development plan of each business segment. In respect of pharmaceutical segment, by supporting “demonstration base construction projects for the promotion of nuclear medicine application for medical diagnosis” of Nuclear Medicine Branch of the Chinese Medical Association, we consistently promoted the development of existing business by intensifying our efforts in marketing to introduce nuclear medicine diagnosis technologies to clinical departments. Closely following the development of service intelligentisation and information modernisation in the medical industry, we upgraded “one-stop” solutions for particle therapy, created “one-stop” solutions for brachytherapy, and integrated important brachytherapy products, realising CIRC’s first digital supply chain with traceability throughout the process. We placed sources to explore new markets, continuously optimised service capabilities, and improved the industrial structure. We continued to develop overall nuclear medicine solutions, and our business HTA formally signed an equity acquisition agreement with Hubei Zhongxun Medical Supplies Industrial Co., Ltd. The completion of the acquisition will not only improve our nuclear medicine service industry chain, but will also strengthen cooperation with downstream and end markets, consolidating customer relationship and enhancing business undertaking capacity.

During the Reporting Period, we recorded RMB2,979.6 million of revenue from sales of pharmaceuticals, representing a year-on-year decrease of 10.0%. As for the radiopharmaceuticals, at the time when the national pandemic was severe in 2020, we proactively carried forward the social responsibility of central enterprises in pushing the resumption of work and production in an orderly manner as soon as possible. Our members began to resume work on 27 January, and formally accepted market orders to ensure the supply of radiopharmaceutical products in the market. Through the unremitting efforts of the whole system, especially the first-line production and sales personnel, the positive growth of radiopharmaceuticals segment was maintained well throughout the year. As for breath test, the temporary suspension of medical examination centers and respiratory medicine division at hospitals during the period of COVID-19 prevention and control in 2020 led to a decline in the sales of our breath test reagents. As the spread of the pandemic is brought under control, it is expected that the products will resume steady growth in 2021.

## **2. *Radioactive source products***

We are a major manufacturer of medical and industrial radioactive source products in China and also a radioactive source producer with a most complete range of radioactive source product offerings in China, primarily engaged in the research, development, manufacturing and sale of various medical and industrial radioactive sources products as well as provision of related technical services.

During the Reporting Period, our radioactive source segment actively sought breakthroughs amidst the pandemic, continuously enriching our competitive advantages in the radioactive source market in terms of brand building, supporting services and other aspects. In 2020, we recorded RMB452.1 million of revenue from sales of radioactive source products, representing a year-on-year increase of 19.2%.

As for the export of radioactive sources, it has multiple links and difficult operations. In 2020, in a special period of epidemic prevention and control, we tackled the critical issues to overcome the difficulties, and accomplished the mission of exporting domestically-produced cobalt-60 irradiated and radioactive sources on 15 February. The revenue from sales of cobalt-60 irradiated and radioactive sources throughout the year was RMB114.8 million, basically the same as last year.

Meanwhile, we actively gave play to the competitive advantages of our domestically-produced cobalt-60 radioactive sources for gamma knife, actively exploring the market. Throughout the year, we recorded revenue of RMB44.8 million from cobalt-60 radioactive sources for gamma knife, representing a year-on-year increase of 19.6%.

During the Reporting Period, we conducted sufficient market research, focused on the customer demand for non-destructive testing, finely arranged production to ensure market supply, and through the marketing strategy of integrating sales and recycling, achieved revenue of RMB 45.6 million from sales of Iridium-192 non-destructive testing radioactive sources, representing a year-on-year increase of 60.1%.

### **3. Irradiation**

In the field of irradiation processing, we are mainly aimed at providing the manufacturers of medical devices, food, traditional Chinese medicine and cosmetics for sterilisation in China, and meanwhile EPC services related to the design, manufacturing and installation of gamma ray irradiation facilities is also accessible.

During the Reporting Period, we actively leveraged our sterilisation technologies. When disposable medical protective clothing was “severely in short supply”, Jinhui Radiation, a subsidiary of CIRC, aiming at the sterilisation of disposable medical protective clothing, organised enterprises in the system to complete the experimental verification of sterilisation with medical protective clothing, promoting the solution of vital issues in the production of disposable medical protective clothing, and ultimately reducing the sterilisation time from 7-14 days to less than one day. At the same time, we actively participated in the preparation of the “Emergency Regulations for Irradiation and Sterilisation of Disposable Medical Protective Clothing (Provisional)” of the China Isotope and Radiation Industry Association, and promoted it internationally through the International Atomic Energy Agency and the International Radiation Protection Association. For this reason, we received letters of gratitude from the General Office of the SASAC, the Ministry of Industry and Information Technology, the Medical Supplies Team of the Joint Prevention and Control Mechanism of the State Council, the Ministry of Ecology and Environment and others, and we were rated as the “National Advanced Group in the Fight Against the COVID-19”. During the anti-epidemic period, we have provided irradiation services for 2.51 million sets of disposable medical protective clothing, 2.49 million disposable medical masks, and 4.55 million disposable medical latex gloves.

At the same time, we actively promoted the “Zhong He Fu” (“中核福”) series of products, and brought a variety of high-end building materials to the 2020 China Heating Conference and other exhibitions, giving full publicity to the performance of PE-Xc floor heating pipes including cold resistance, heat resistance, corrosion resistance, long life, energy saving and environmental protection. In 2020, we recorded RMB102.6 million of revenue from the irradiation application business, representing a year-on-year increase of 20.7%.

### **4. Independent clinical medical and laboratory services and other businesses**

Our independent clinical medical and laboratory services, as a downstream extension of our in vitro diagnostic reagents sales of the Company, are mainly being offered to medical institutions. We offer independent clinical medical and laboratory services with respect to hepatitis, endocrine, bone metabolism, cardiovascular disease, diabetes and other diseases.

In order to help the epidemic prevention and control work in China, our medical testing centres actively participated in the nucleic acid testing of the COVID-19, and have been successively approved as nucleic acid testing institutions, as a result of which a group of anti-epidemic “retrogrades” have emerged. Among them, Hong Wei, general manager of Wuhan CIC, was awarded the title of “Individuals from Central Enterprises Advanced in Fighting COVID-19”.

During the Reporting Period, revenue from independent clinical medical and laboratory services and other businesses of the Group was RMB509.5 million, representing a year-on-year increase of 377.5%, of which revenue from our independent clinical medical and laboratory services recorded RMB129.4 million, representing a year-on-year increase of 74.2%, and revenue from medical supplies sales business recorded RMB366.9 million, increased by RMB351.6 million.

## 5. Radiation therapy equipments and related services

During the Reporting Period, domestic hospitals which were affected by the pandemic slowed down the procurement and installation of medicine equipment. While doing well in following up on existing hospital projects, our medicine equipment business adjusted work arrangements and expanded new channels, and recorded RMB230.4 million of revenue for the year, representing a year-on-year increase of 115.3%.

The table below sets forth our revenue by business segment in 2020 and 2019:

<i>(RMB in million, except for percentage)</i>	Year ended 31 December 2020		Year ended 31 December 2019	
	Amount	%	Amount	%
Pharmaceuticals	2,979.6	69.7	3,311.1	83.0
Radioactive source products	452.1	10.6	379.1	9.5
Irradiation	102.6	2.4	85.0	2.1
Radiation therapy equipments and related services	230.4	5.4	107.0	2.7
Independent clinical medical and laboratory services and other businesses	509.5	11.9	106.7	2.7
Total	<u>4,274.2</u>	<u>100.0</u>	<u>3,988.9</u>	<u>100.0</u>

### Marketing

During the Reporting Period, we continued to push brand building work. Brand is one of the most important intangible assets of an enterprise. Over the years, we have been deeply plowing the field of nuclear technology application and creating value for customers through products and services in a mutually successful way. In 2020, we further optimised the systems of brand definition and brand structure, and by implementing brand strategies that are more in line with the current development stage, we facilitated the realisation of the two-way transfer of brand assets, the accumulation of brand assets and the continuous improvement of brand value.

On the other hand, as we integrated resources in the market in a coordinated way and deepened the development of three marketing platforms, enabling each of such marketing platforms continue to fully play their roles in their respective market segment and further explore market potential. Upon the acquisition of Ningbo Junan Pharmaceuticals Technology Co., Ltd., we have significantly developed our ability in exploring market and competitiveness in sale of Iodine-125 sealed sources, promoting the rapid expansion of our existing businesses.

“Demonstration base construction projects for the promotion of nuclear medicine application for medical diagnosis”: we have completed the start-up and acceptance of 6 medical institutions throughout the year. As of December 2020, CIRC and the Nuclear Medicine Branch of the Chinese Medical Association commenced the project start-up work for 57 hospitals, accelerating the popularisation of nuclear medicine with the applications in clinical diagnosis and treatment, which effectively helped us to expand the market for our products.

The project “overall nuclear medicine solutions” created by us completed the acquisition of 51% stake in Hubei Zhongxun in January 2021, thus possessing the qualification and ability to undertake foreign engineering projects. Going forward, the project will continuously enhance our market service capacity and increase the revenue from new business.

We have established a nationwide sales network and had diversified marketing campaigns. During the Reporting Period, we actively promoted the academic promotion of radiopharmaceuticals, especially technetium-99m-MIBI products. Throughout the year, we completed 58 academic promotion of clinical departments, and approximately 200 sessions of regional online training,

including core salons covering more than 5,500 people in total. As of 31 December 2020, we conducted various marketing campaigns through our own sales personnel, technical service promoters and distributors, and our sales network covered 31 provinces, municipalities and autonomous regions in China. Our sales network covered 17,000 medical institutions, including 1,100 tertiary hospitals, 5,000 secondary hospitals and 2,500 primary hospitals.

## **Scientific Research and Innovation**

The Group continued to increase its scientific and technological research and development capabilities. It increased the number of its research and development staff to 273, and carried out more research and development projects in radiopharmaceuticals, radiation therapy equipment, COVID-19 diagnostic products, irradiation service for sterilisation purpose and other fields in accordance with market demand. At the beginning of the outbreak of COVID-19 in Wuhan, we quickly conducted scientific research to tackle the critical issues, actively promoted the use of radiation technology to solve the problem of long disinfection and sterilisation cycles for medical protective clothing, and completed the process development and experimental verification of irradiation sterilisation of medical protective clothing, reducing the sterilisation time from 7-14 days in traditional methods to less than one day, thus making outstanding contributions to the guaranteed supply of anti-epidemic materials. As of 31 December 2020, we obtained the EU CE product certification for four COVID-19 diagnostic reagent products, and were recorded in the “white list” of the China Chamber of Commerce for Import & Export of Medicines and Health Products. Eight radiopharmaceuticals for imaging diagnostic and therapeutic use are in different stages of research and development, one of which is to be approved for production (i.e. therapeutic sodium iodine-131 capsules), and two radiopharmaceuticals in clinical trials (namely iodine-131-MIBG injection and sodium fluoride-18 injection), a therapeutic radiopharmaceutical (namely palladium-103 sealed source) pending approval to enter clinical trials, four types of radiopharmaceuticals for imaging diagnosis and treatment in various stages of development.

In 2020, the Group achieved remarkable results in our work on intellectual properties with a total of 152 patents, including 42 patents for inventions, and eight software copyrights applied, and a total of 76 patents licensed, including six patents for inventions, and 21 software copyrights registered. As of 31 December 2020, we had cumulatively 340 licensed patents. In terms of standards preparation, we cumulatively completed the preparation of one standard for the nuclear industry, five group standards for the China Isotope & Radiation Association (同輻協會), and one corporate standard for CNNC throughout the year. In terms of achievements and awards, the results were remarkable. “Independent Innovation and Transformational Application of Key Technologies of Positron Emission Tomography” (《正電子發射斷層顯像關鍵技術的自主創新及轉化應用》) was awarded the second prize of the Beijing Municipal Science and Technology Progress Awards, and “Development and Preparation of Peptides and Other Small Molecule Immunogens and Corresponding Antibodies” (《多肽類等小分子免疫原及相應抗體的研制》), and “R&D and Industrialisation of New Carbon Dioxide Gas Collectors and Scintillation Sampling Bottles” (《新型二氧化碳集氣劑和閃爍採樣瓶研發及產業化》) were awarded the second and third prizes of the CNNC Science and Technology Progress Awards respectively. In 2020, the Group completed the establishment of the Guangdong Provincial Isotope Application Engineering Technology Research Centre, the CNNC Radiopharmaceutical Engineering Technology Research Centre, and the Shenzhen Postdoctoral Innovation Practice Base, and completed the application for a key laboratory of quality control of in vitro diagnostic reagents (體外診斷試劑質量控制重點實驗室) with the National Medical Products Administration. At the same time, we continued to strengthen cooperation with external parties, and set up a postgraduate workstation at Soochow University, continuously improving the basic conditions for research and development, and innovating the mechanism and mode of operating systems.

## International Business

During the Reporting Period, we seized opportunities in the international market, and adjusted and allocated domestic and foreign resources to assist global partners in fighting the pandemic. We exported cobalt sources, breath test kits, radioimmunity kits, COVID-19 test kits and other products to 27 countries including Thailand, Bangladesh, Serbia, Mexico, Italy, South Korea and Peru, as well as protective clothing, medical masks and other anti-epidemic materials to Germany, India, United Arab Emirates, Laos, etc. Our revenue from the international business increased significantly, and we recorded an export revenue of RMB267.0 million. During this period, breakthroughs were made in our international business: following the export of a cobalt source irradiation station in 2013, we exported an overall solution for irradiation stations to Malaysia again, bringing about a good brand effect in the irradiation industry in Southeast Asia; we obtained the exclusive distribution right for radium-223 injection in China; we for the first time realised the export of integrated “flaw detection equipment + domestically-produced iridium-192 radioactive sources” packages, which may become a new source of business growth in the future; we continued to export finished industrial cobalt sources and raw materials to overseas in batches; we obtained the qualifications for international road transportation of dangerous goods, which has solved the key issue concerning the land transportation of cobalt sources, laying a solid foundation for the export of finished cobalt sources by land to neighbouring countries in Southeast Asia; we were accredited the “qualifications of general contracting enterprises for foreign aid material projects”; upholding the concept of a community of common destiny for mankind, we practiced the social responsibility of state-owned enterprises, and donated more than 80,000 pieces of anti-epidemic materials to business partners and customers in over 30 countries; we actively communicated with international organisations such as the International Atomic Energy Agency (IAEA) and the International Irradiation Association (IIA), and through the IAEA and IIA, we shared the “Emergency Regulations for Irradiation and Sterilisation of Disposable Medical Protective Clothing (Provisional)” with atomic energy institutions, irradiation technology industries and others in various countries so as to share our advanced management experiences and technical cooperation achievements in the field of nuclear technology application.

## Capital Operation

During the Reporting Period, the Group completed the acquisition of three enterprises with a total investment of RMB42.88 million.

S/N	Acquired enterprise	Agreement signature date	Acquisition completion	Acquisition amount (RMB in million)	Principal businesses	Shareholding percentage
1	Beijing Feitian Zhaoye Technology Limited Liability Company (北京飛天兆業科技有限責任公司)	2020.9.17	--	17.58	Radioactive particle therapy TPS industry, production and sales of TPS as well as three-dimensional radiation implantation treatment planning systems and their related products	70%

S/N	Acquired enterprise	Agreement signature date	Acquisition completion	Acquisition amount (RMB in million)	Principal businesses	Shareholding percentage
2	Zhonghe Lixin (Beijing) Technology Co., Ltd. (中核立信(北京)科技有限公司)	2020.12.18	--	1.84	Nuclear radiation protection and detection	51%
3	Hubei Zhongxun Medical Supplies Co., Ltd. (湖北中循醫療用品實業有限公司)	2020.12.30	2021.01.28	23.46	Production and sale of medical equipment, design and engineering construction of radiation protection products	51%

As a main platform of CNNC for the development of nuclear technology application industry, we are undertaking the important task of developing China's nuclear technology application industry. With the strategic goal of "growing bigger, stronger and better", we adhere to its strategy of "industrialisation and internationalisation" and strives to build itself a top-notch international supplier of nuclear technology application products and services. The Company closely focuses on the established strategy and implements the merger and acquisition strategy of controlling investment at the source, strengthening the core, and extending to the downstream. Our acquisition work and direction is focused on business segments such as radiopharmaceuticals, in vitro diagnostics, and irradiation applications. Under the state-owned assets regulatory policy and system, we have formulated relevant investment management systems and authorised business systems taking into account the actual conditions of the Company and its subordinate companies, and have carried out mergers and acquisitions in light of the strategic or market investment considerations for different targets. In order to facilitate the implementation of the Company's strategy, explore new sources of economic growth and enhance the economic scale and efficiency of the Company, Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) (北京同輻創新產業投資基金合夥企業(有限合夥)) completed the second round of fundraising at the end of 2020, and introduced National Military-civilian Integration Industry Investment Fund and Daxing Fund, which has further enhanced the capital advantages of the fund. The fund primarily invests in the application areas of nuclear technology, including nuclide production, radioactive sources, other diagnostic and therapeutic drugs in the field of nuclear medicine applications, medical devices, in vitro diagnosis, medical services and industrial nuclear applications.

As of 31 December 2020, the Company's actual amount paid to Tongfu Fund was RMB480 million, and the total actual amount paid to the Fund was RMB1.2 billion, so the Company's proportion accounted for 40%. After evaluation, the net assets of Tongfu Fund measured at fair value as of December 31, 2020 are RMB1,199.6 million. The Company's net assets calculated based on the 40% shareholding percentage were RMB479.8 million, accounted for 5.2% of the Company's total assets. In 2020, the Company's investment income in Tongfu Fund was RMB4.9 million, and the Company received dividends of RMB5.0 million.



## Production Capacity

The manufacturing and production facilities of the Group have a wide geographical coverage in China. As of the end of 2020, the pharmaceuticals centers that had been put into production by the Company were located in 17 regions including Beijing, Shanghai, Guangzhou, Chongqing, Chengdu and Hefei. In 2020, we made efforts to overcome the impact of the COVID-19 and solidly advanced the construction of projects. The positron drug production lines including the Chongqing Phase II and Guangzhou Phase II production lines were completed and put into operation and the positron drug production lines including Xuzhou, Jinan, and Shijiazhuang production lines passed the “Two Certifications” inspection. The Shantou project passed the “Two Certifications” inspection on the technetium drug, projects such as those in Qingdao, Nanchang and Kunming obtained the Radiation Safety Permit, initially forming a network layout across 32 major cities nationwide.

The diagnostic and therapeutic radiopharmaceuticals manufacturing bases were mainly located in four regions (i.e. Beijing, Ningbo, etc.), and the production lines that are newly planned and laid out were also in full swing. The UBT diagnostic kits and test analyzers manufacturing bases were located in two regions (i.e. Shenzhen and Tongcheng). The stable isotope industry base project overcame the impact of the COVID-19 and completed the nodal tasks on schedule. The radioactive source manufacturing bases were located in two regions (i.e. Beijing and Leshan). The in vitro immunoassay diagnostic reagents and kits manufacturing bases were located in Beijing and other regions.

The production capacity, actual production volume and utilisation rates for the year 2020 are set out in the table below:

### Imaging diagnostic and therapeutic radiopharmaceuticals:

	Year ended 31 December 2020		
	Annual designed capacity	Actual production volume	Utilisation rate
Fluorine-18-FDG injections (Ci)	12,203	4,935	40.44%
Molybdenum-99/technetium-99m generators (Ci)	32,445	13,169	40.59%
Technetium-99m labeled injections (vial)	1,093,950	510,231	46.64%
Sodium iodine-131 oral solution (Ci)	22,036	11,698	53.08%
Iodine-125 sealed sources (unit)	990,000	644,309	65.08%
Strontium-89 chloride injections (vial)	67,000	13,108	19.56%

### UBT kits and analyzers:

	Year ended 31 December 2020		
	Annual designed capacity	Actual production volume	Utilisation rate
Carbon-13/14 UBT kits (unit)	57,250,000	40,871,538	71.4%
Carbon-13/14 UBT analyzers (unit)	6,200	5,498	88.7%

## In vitro immunoassay reagents and kits:

	Year ended 31 December 2020		
	Annual designed capacity	Actual production volume	Utilisation rate
RIA kits (unit)	200,000	76,404	38.20%
EIA reagents, CLIA reagents and TRFIA reagents (unit)	100,000	43,982	43.98%
Colloidal gold reagents (unit)	100,000	0	0

## Radioactive source products:

	Year ended 31 December 2020		
	Annual designed capacity	Actual production volume	Utilisation rate
Cobalt-60 source for gamma knife (Ci)	3,600,000	181,314	5.0%
Iridium-192 brachytherapy sources (Ci)	10,000	2,435	24.4%
Cobalt-60 radioactive source for irradiation service (Ci)	14,400,000	7,940,000	55.1%
Iridium-192 non-destructive testing radioactive sources (Ci)	1,200,000	170,510	14.2%
Caesium-137 radioactive sources (Ci)	55,700	6,054	10.9%
Americium-241/Beryllium neutron sources (Ci)	1,000	0.5	0.05%
Selenium-75 non-destructive testing radioactive source (Ci)	50,000	48,450	96.9%

## FUTURE DEVELOPMENT

Currently, China's economic development is in a critical period of transforming the development pattern, optimizing the economic structure, and converting the growth momentum. In order to ensure the realization of a high-quality economic development in China, the Chinese government has proposed to continue to deepen supply-side reform during the "14th Five-Year Plan" period to accelerate the formation of a new development pattern with the domestic cycle as the mainstay and the domestic and international cycles complementing each other. As a comprehensive strategic industry, nuclear technology application is closely related to nearly one-third of the industries in the manufacturing sector of the national economy. The transformation and upgrading of traditional industries and the accelerated layout of strategic emerging industries will provide new impetus and room for developing the nuclear technology application industry. At the same time, the development of the nuclear technology application industry as a whole depends on the development of the national economy. During the "14th Five-Year Plan" period, with the construction and perfection of a new "dual cycle" development pattern for the Chinese economy, market demand will continue to grow going forward, and thus the development potential of the nuclear technology application industry will be immense.

As a leading company in the industry, during the “14th Five-Year Plan” period, we will firmly grasp the critical period of industrial development, centering on the strategic goal of “bigger, stronger and better” nuclear technology application industry, with “investment control source, stronger core, expanding applications” as the path, through in-depth promotion of corporate reform, vigorously improving scientific research capabilities, continuous strengthening of capital operations, solid promotion of project construction, and effective management and improvement, etc., to fully promote the accelerated development of our Company.

In terms of corporate reform, in 2020, we successfully implemented the first tranche of our Share Appreciation Rights Incentive Plan, which was a major breakthrough that the Company has made in terms of equity incentive reform since its listing. During the “14th Five-Year Plan” period, we will continue to deepen reforms, thoroughly implement the three-year action plan for the reform of state-owned enterprises, focus on grasping well the market-oriented reform of management systems, employment mechanisms, and incentive mechanisms, solve the root and deep-seated problems that restrict the Company’s development through reforms, and establish an operating mechanism that is more in line with the development requirements of the market economy, so as to continuously stimulate the Company’s innovative vitality and endogenous motivation.

In terms of technological research and development, we deeply realize that technological innovation is the first driving force leading the development of enterprises. Although the COVID-19 pandemic exerted a relatively large impact on our operation results in 2020, we unswervingly continued to increase investment in scientific research. Going forward, we will further increase investment in research and development on such basis, and by continuously promoting the construction of the “1+N” research and development platform of the CIRC Institute, speeding up the introduction of leading scientific research talents and other means, we will continuously enhance the Company’s strength in independent research and development, striving to achieve major breakthroughs in advantageous fields and key technologies through independent innovation. At the same time, we will continue to carry out external cooperation at a higher level. Through cooperation with scientific research institutions and well-known enterprises at home and abroad and other means, we will accelerate our new product development efficiency and improve our product development pipeline layout, thus enhancing our overall scientific and technological strength and core competitiveness.

In terms of capital operation, in 2019, we initiated the establishment of the Beijing Tongfu Innovation Industrial Investment Fund with a total value of RMB5 billion. Currently, fundraising work for the second tranche of the fund has been completed, and the current size of the fund has reached RMB4 billion. Over the past year, we completed a number of equity investment projects using the “listed company + industrial fund” investment model, which has further improved our industrial layout in radiopharmaceuticals, nuclear medical equipment, irradiation applications and other fields. Going forward, we will continue to advance fundraising work for the third tranche of the fund. In addition, by improving the efficiency of capital operations through continuous optimization of the fund operation mechanism, we will accelerate the commencement of strategic capital operations that are supportive of industrial development in the fields of radiopharmaceuticals, medical diagnosis, nuclear medical equipment, irradiation applications, etc., and we will continuously improve our industrial layout through empowerment-type mergers and acquisitions.

In terms of capacity building, in order to meet the increasing demand for radiopharmaceuticals in China’s densely inhabited districts in a timely manner, we will accelerate layout for the network of pharmaceuticals centres, laying a solid foundation for the formation of a network layout system covering major cities in China in 2022. In addition, progress has been made in the construction of

medical bases in 2020. The Guangdong medical base project has completed production relocation and is fully put into operation. The North China medical base project has completed land acquisition and is landed on Zhuozhou, Hebei. The Sichuan medical base project passed the site inspection by the environmental protection department and obtained the Radiation Safety Permit. The successive completion and operation of the medical bases will further enhance our research and development and production capacity, and help meet the requirements of standardised and large-scale production and operation of radiopharmaceuticals for imaging diagnosis and medical treatment, so as to meet the demand in China's growing radiopharmaceuticals market.

In terms of management improvement, we have been vigorously promoting lean management in the past few years. Currently, we have basically formed a lean management system with the characteristics of CIRC, and the Company's production and operational efficiency has been significantly improved. Going forward, we will extend the lean management concepts from the production and manufacturing aspects to the entire process and the entire chain covering research and development, design, supply chain management, marketing service, etc., striving to create more and greater value with minimal investment in resources. Meanwhile, we are aware that, with the continuous maturity and wide application of digital technology, its integration with the nuclear technology application industry is also deepening. Digital information technology represented by artificial intelligence, 5G, big data, cloud computing and others will rapidly improve the efficiency and quality of the development of the nuclear technology application industry. In the future, we will accelerate informatization construction and promote the full integration of informatization into all fields and aspects of corporate management to foster the digital and intelligent upgrade of corporate management, thus realizing the transformation of management supported by digitalization.

The "14th Five-Year Plan" is a period of strategic opportunities for the development of the nuclear technology application industry. In the future development, we will spare no efforts to promote the rapid development of the nuclear technology application industry with adherence to market orientation, taking increasing economic benefits and promoting development quality as its core guidance and driven by reform and innovation, so as to consolidate its leading position in the industry.

### **Impact of Policy and Uncertainties**

Considering drug characteristics, market supply, drug costs and other factors, the volume-based drug procurement policy has not had any impact on the sales of nuclear medicine related products of our Company.

In respect of drug characteristics, the Company's products are mainly imaging diagnostic and therapeutic radiopharmaceuticals, not covered by volume-based drug procurement. In addition, radiopharmaceuticals, containing radionuclides, have a certain half-life. Certain drugs cannot be stored for a long time due to their half-life, which requires the implementation of appointment system for diagnosis and treatment of patients visiting the nuclear medicine departments. Therefore, hospitals cannot guarantee a certain amount of purchase in exchange for price concessions.

In respect of drug supply, in recent years, as the advantages of PET/CT imaging in China's nuclear medicine gradually emerged, the development of nuclear medicine has attracted extensive attention from the government and the medical industry. However, from the perspective of drug types, drug doses and domestic suppliers, the main drugs used in domestic nuclear medicine diagnosis and treatment projects are relatively stationary. There are only a few domestic suppliers

for each radiopharmaceutical, and there are still exclusive sales of individual products in China. Overall, the market competition pattern is positive. According to the statistics in 2017, the total sales of radiopharmaceuticals in China only accounted for 0.22% of the total sales of top seven pharmaceutical products that year. The sales of radiopharmaceuticals in the market have not yet reached the extent of “exchanging quantity for price”.

In terms of drug costs, raw materials of radiopharmaceuticals are made by reactors or accelerators, which has certain particularity. Limited by such factors as raw material costs, production management and transportation costs, even if large quantities of material purchases are practical, the price of radiopharmaceuticals cannot be significantly reduced.

In summary, during the Reporting Period, the volume-based drug procurement policy did not have a significant impact on our Company, and it is expected that the situation will not change much in 2021. Under the influence of industrial policies, innovative drugs with high technology barriers have become the focus of development among domestic pharmaceutical enterprises. During the “14th Five-Year Plan” period, we will further strengthen technological innovation to adapt to the new situation of industry development. In the future, with the deepening of medical reform and the introduction of new medical reform and drug policies, there will occur some changes in achieving success in the pharmaceutical industry, and innovation will become the core driving force of the domestic drug market. We will keep abreast of the changing industry trend, increase investment in research and development, and maintain sustained high-quality growth by improving products under research.

### **Impact of the COVID-19**

In 2020, the outbreak of the COVID-19 brought a certain impact on the Group’s operations, resulting in a decrease in annual profits compared to last year. At present, with the continuous spread of the pandemic in overseas, and the occurrence of sporadic cases and local clusters of epidemics in multiple places in China, we will pay close attention to changes in the situation of epidemic prevention and control, continue to implement the prevention and control work well, and strengthen working capital management so as to ensure the sustainability of the Company’s assets and operations. In overcoming difficulties, we actively recommend the resumption of work and production on the basis of comprehensively implementing epidemic prevention measures, and strive to coordinate with international raw material suppliers and domestic transportation companies to ensure the supply of domestic radiopharmaceuticals, radioactive sources and other products in the market. During the Reporting Period, the Company closely monitors its collection and inventory status, and negotiate with suppliers to make a deferred payment, extend credit period, etc. to strengthen working capital management and ensure the sustainability of its assets and operations. Meanwhile, the pandemic has brought opportunities for the development of the nuclear technology application industry. Irradiation technology has played an irreplaceable role in fighting against the COVID-19, which has been fully recognised by all sectors of society. China’s emphasis on the nuclear technology application industry has further increased. The outbreak of the COVID-19 has prompted the country to pay more attention to health issues, and people’s needs for health promotion and disease prevention and cure are increasing day by day. This has provided an important opportunity for the development of radiopharmaceuticals, medical diagnosis, high-end nuclear medicine equipment and other industries. The Company will fully grasp the opportunities brought by the pandemic to the development of the nuclear technology application industry, actively strategise and take positive action, and make full use of the favorable policies and conditions for the development of the nuclear technology application industry during the pandemic to promote the accelerated development of related industries.

## **FINANCIAL REVIEW**

### **Revenue**

We derived our revenue mainly from five major business segments: (1) pharmaceuticals; (2) radioactive source products; (3) irradiation; (4) radiation therapy equipments and related services; and (5) independent clinical medical and laboratory services and other businesses.

Our revenue increased by 7.2% from RMB3,988.9 million in 2019 to RMB4,274.2 million in 2020, which was mainly due to an increase in revenue from our radioactive source products segment, radiation therapy equipments and related services segment and independent clinical medical and laboratory services and other businesses segment.

### **Cost of Sales, Gross Profit and Gross Margin**

Our cost of sales increased by 43.0% from RMB1,159.6 million in 2019 to RMB1,658.2 million in 2020, which was mainly due to an increase in cost of sales of our independent clinical medical and laboratory services and other businesses segment.

Our gross profit decreased by 7.5% from RMB2,829.3 million in 2019 to RMB2,616.0 million in 2020 and our gross margin decreased from 70.9% to 61.2%. The decline in gross profit margin was primarily due to changes in the profit structure affected by the epidemic, and the revenue and gross profit margin of the pharmaceuticals segment with higher gross profit margins decreased.

### **Other Income**

Our other income increased by 15.4% from RMB68.7 million in 2019 to RMB79.3 million in 2020, mainly due to the increase in government subsidies in 2020, primarily government support for the steady growth of the industry segments that the pharmaceuticals belong to and supportive supplementation.

### **Selling and Distribution Expenses**

Our selling and distribution expenses decreased by 14.5% from RMB1,687.5 million in 2019 to RMB1,442.6 million in 2020. This is mainly due to the decrease in sales of the pharmaceuticals segment affected by the epidemic. Therefore, the corresponding sales service fees and transportation fees have all dropped significantly.

As a percentage of revenue, selling and distribution expenses decreased from 42.3% in 2019 to 33.8% in 2020.

### **Administrative Expenses and Credit Impairment Losses**

Our administrative expenses and credit impairment losses increased by 27.8% from RMB489.9 million in 2019 to RMB626.2 million in 2020, mainly due to (i) the increased research and development expense resulting from more investments in research and development, and (ii) the increased depreciation charges as a result of transfer of projects under construction to fixed assets.

As a percentage of revenue, administrative expenses increased from 12.3% in 2019 to 14.7% in 2020.

## **Finance Costs**

Our finance costs increased by 148.4% from RMB18.8 million in 2019 to RMB46.7 million in 2020, which was mainly attributable to significant increase in bond interest expenses due to the issuance of three-year corporate bonds “19-CIRC Bond” (19—同輻債) at the end of 2019.

## **Share of Profits less Losses of Associates and Share of Profits of a Joint Venture**

Our share of profits less losses of associates decreased from RMB2.1 million in 2019 to negative RMB12.0 million in 2020, mainly due to the losses of our associate, Shenzhen CICAM Manufacturing Co., Ltd. Our share of profits of a joint venture decreased by 4.8% from RMB29.8 million in 2019 to RMB28.4 million in 2020, mainly due to an decrease in profits from our joint venture, Shanghai GMS Pharmaceutical Co., Ltd. affected by the epidemic.

## **Profit before Tax**

As a result of the foregoing, our profit before tax decreased by 18.8% from RMB733.8 million in 2019 to RMB596.2 million in 2020.

## **Income Tax**

Our income tax increased by 10.7% from RMB108.9 million in 2019 to RMB120.6 million in 2020, mainly due to the fact that the income tax rate change resulting from the subsidiaries obtaining the High and New Technology Enterprises certification offset the deferred income tax assets accrued in the previous period, resulting in an increase in deferred income tax over the same period of the previous year.

Our effective tax rate was 14.8% and 20.2% in 2019 and 2020, respectively.

## **Profit for the Year**

As a result of the foregoing, our profit for the year decreased by 23.9% from RMB624.9 million in 2019 to RMB475.5 million in 2020.

## **FINANCIAL POSITION**

### **Overview**

For the year ended 31 December 2020, the total assets of the Group increased slightly. The total assets, the total liabilities and the total equity were RMB9,185.3 million, RMB3,679.7 million and RMB5,505.6 million, respectively.

## Net Current Assets

The table below sets forth our current assets, current liabilities and net current assets as at the dates indicated:

	<i>RMB in million</i>	
	<b>31 December 2020</b>	31 December 2019
Inventories	<b>590.0</b>	444.4
Trade and bill receivables	<b>2,368.5</b>	2,187.7
Prepayments, deposits and other receivables	<b>256.1</b>	263.4
Cash at bank and on hand	<b>2,556.5</b>	2,744.9
<b>Total Current Assets</b>	<b><u>5,771.1</u></b>	<b><u>5,640.4</u></b>
Bank borrowings	<b>90.2</b>	191.2
Trade payables	<b>199.5</b>	173.6
Accruals and other payables	<b>2,327.4</b>	2,368.8
Lease liabilities	<b>29.9</b>	27.8
Provisions	<b>73.9</b>	69.6
Income tax payable	<b>51.3</b>	98.2
<b>Total Current Liabilities</b>	<b><u>2,772.2</u></b>	<b><u>2,929.2</u></b>
<b>Net Current Assets</b>	<b><u>2,998.9</u></b>	<b><u>2,711.2</u></b>

Our net current assets increased by 10.6% from RMB2,711.2 million as of 31 December 2019 to RMB2,998.9 million as of 31 December 2020, which was mainly due to the increase in the Company's inventory, trade and bill receivables and the return of short-term loans.

## Adjusted Net Gearing Ratio and Quick Ratio

Our adjusted net gearing ratio (adjusted net debt (interest-bearing debt plus unaccrued proposed dividends) divided by adjusted equity (all components of equity less unaccrued proposed dividends)) was 18.5% and 14.8% as of 31 December 2019 and 31 December 2020, respectively.

Our quick ratio (total current assets excluding inventories divided by total current liabilities as of the same date) was 1.8 times and 1.9 times as of 31 December 2019 and 31 December 2020, respectively.



## Analysis of Cash Flows

The following table sets forth the cash flows of the Group:

	<i>RMB in million</i>	
	<b>31 December 2020</b>	31 December 2019
Net cash generated from operating activities	<b>291.9</b>	601.9
Net cash used in investing activities	<b>(423.9)</b>	(1,108.5)
Net cash (used in)/generated from financing activities	<b>(156.2)</b>	590.7
Net (decrease)/increase in cash and cash equivalents	<b>(288.2)</b>	84.1
Cash and cash equivalents at the beginning of the year	<b>2,640.3</b>	2,557.5
Effect of changes in foreign exchange rate	<b>(0.5)</b>	(1.3)
Cash and cash equivalents at the end of the year	<b>2,351.6</b>	2,640.3

### Trade and Other Receivables

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses. As of 31 December 2020, our trade and other receivables (net of bad debt allowance of RMB154.4 million) were RMB2,624.6 million.

### Trade and Other Payables

Our trade and other payables mainly consist of trade payables and accruals and other payables, which include receipts in advance, other taxes payables, deposits from distributors, payables to distributors, payables for staff-related costs, dividends payables and other accruals and payables. As of 31 December 2020, our trade and other payables were RMB2,526.9 million.

### Bank Loans and Pledge of Assets

As of 31 December 2020, the unsecured long-term bank loans mainly included a loan of RMB50.0 million borrowed by a subsidiary of the Group in 2020 at an interest rate of 4.15%.

As of 31 December 2020, the secured long-term bank loans mainly included:

- (i) A three-year loan of RMB5.9 million borrowed by a subsidiary of the Group in 2020 at base rate plus 15 base points per annum, for which was jointly guaranteed by the shareholders of the subsidiary.
- (ii) A fifteen-year loan of RMB8.0 million borrowed by a subsidiary of the Group in 2019 at base rate plus 78.5 base points per annum, with an amount of RMB7.5 million remaining as at 31 December 2020, for which certain of the Group's properties with total carrying amount of RMB9.1 million and right of use assets with total carrying amount of RMB1.0 million were pledged.

- (iii) A five-year loan of RMB30.0 million borrowed by a subsidiary of the Group in 2019 at base rate plus 20.25 base points per annum, with an amount of RMB10.0 million remaining as at 31 December 2020, for which certain of the Group's properties with total carrying amount of RMB57.9 million and right of use assets with total carrying amount of RMB7.0 million were pledged.

As of 31 December 2020, the short-term bank loans mainly included:

- (i) A loan of RMB6.4 million borrowed by a subsidiary of the Group in 2020 at base rate plus 4.5 base points per annum, with an amount of RMB6.2 million remaining as at 31 December 2020, for which certain of the subsidiary's trade receivables with total carrying amount of RMB6.2 million were pledged.
- (ii) A loan of RMB83.5 million borrowed by a subsidiary of the Group in 2020 at an interest rate of 3.10%, with an amount of RMB83.5 million remaining as at 31 December 2020.

### **Capital Expenditures**

Our capital expenditures mainly comprise additions to plant and equipment and intangible assets. In 2020, our capital expenditures were RMB489.7 million.

### **Contingent Liabilities**

As of 31 December 2020, we did not have any material contingent liabilities.

### **Foreign Exchange and Foreign Exchange Risk**

During the year ended 31 December 2020, the Group was exposed to currency risk primarily through bank deposits denominated in foreign currency, which were primarily Hong Kong dollars. The Group monitors foreign exchange movements and determines exchange when necessary. The Group currently has no foreign exchange hedging policy.

### **Credit Risk**

In order to minimise the credit risk, we have policies in place to monitor the exposures to these credit risks on an ongoing basis. Before accepting any new customer requiring credit over a certain credit amount, we carry out research into their creditability and assess their credit quality and define credit limits for that customer. Our individual credit evaluations focus on the customer's historical payment records, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

We normally do not require collateral from customers. Therefore, our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customer operates. The significant concentration of credit risk primarily arises when we rely heavily on individual customers. We will, however, perform periodic credit evaluation on our customers and monitor the compliance of credit terms by them. We believe we do not have any significant concentration of credit risk as the trade and bill receivables involve a large number of customers across diverse industries and geographical areas.

## **Liquidity Risk**

Our policy is to regularly monitor current and expected liquidity requirements, and furthermore we issued small public corporate bonds in 2019 to raise funds for liquidity requirements from the Company's business expansion, to ensure that we maintain sufficient reserves of cash and adequate commitment funds from major financial institutions to meet both short-term and long-term liquidity requirements. Our Directors believe that there is no significant liquidity risk, as we have sufficient monetary capital to fund our operations.

## **DIVIDEND POLICY**

When the Board recommends the declaration of cash dividends to Shareholders at a general meeting, the decision to declare any dividends and the amount of dividends will depend on, among other things:

- our results of operations and cash flows;
- our financial position;
- overall performance;
- our future prospects;
- statutory, regulatory and contractual restrictions on the payment of dividends by us; and
- other factors that the Board deems relevant.

## **NO MATERIAL ADVERSE CHANGE**

The Directors have confirmed that there was no material adverse change in our financial and trading position or prospects as of 31 December 2020.

## **SUBSEQUENT EVENTS**

On 29 January 2021 (after trading hours), the Board has approved commencing the related work of the proposed issue of A Shares and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

Save as disclosed above, no significant subsequent events take place after the Reporting Period to the date of this announcement.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 6 July 2018, H shares of the Company became listed on the Main Board of the Stock Exchange (stock code: 1763). Based on the offer price of HKD21.60 per H share and upon the partial exercise of the over-allotment option (100 Shares), the net proceeds that the Group received from the Global Offering were approximately HKD1,690.0 million after deduction of the underwriting commissions and other estimated expenses in relation to the Global Offering. As at 31 December 2020, current assets of approximately RMB1,155.4 million were used and approximately RMB536.1 million was used in selective mergers and acquisitions.

In accordance with the requirements of paragraph 11(8) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the use of proceeds will be updated to provide the use of proceeds from the initial public offering for 2020 (including the expected timeline of full utilisation of the balance), which is set out below:

*RMB in million*

Use	Initial allocation of the net proceeds	Revised allocation of the net proceeds	Amount utilised as of 31 December 2018	Amount utilised as of 31 December 2019	Amount utilised as of 31 December 2020	Balance as of 31 December 2020	Expected time of full utilisation of balance
Investment in imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases	597.3	460.0	0.0	29.5	200	260	In 2022
Establishment of production and distribution subsidiaries	67.3	0.0	0.0	0.0	0.0	0.0	
Establishment of new production facilities	84.5	50.0	0.0	50.0	50.0	0.0	
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	0.0	76.6	101.2	17.1	In 2021
Investments/selective (mergers) acquisitions	286.5	536.1	51.4	529.9	536.1	0	
Working capital and general corporate purposes	143.3	268.1	71.7	232.5	268.1	0	
<b>Total</b>	<b>1,432.5</b>	<b>1,432.5</b>	<b>123.1</b>	<b>918.5</b>	<b>1,155.4</b>	<b>277.1</b>	

*Note:* The investment in the research and development in the use of proceeds is under preparation due to certain research and development projects to be newly launched. There may be differences between the actual and expected timeline for utilising the proceeds for investment in research and development. The specific timeline of utilisation of the proceeds for the investment in the research and development is subject to the actual timeline of utilisation of the projects. The Company will fulfill the disclosure obligations in accordance with the relevant requirements according to the progress of the projects.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had a total of 2,912 employees as at 31 December 2020. During the year ended 31 December 2020, our staff costs (including directors' remuneration but excluding contributions to any pension plan) were approximately RMB492.7 million. The remuneration policy of the Group is to motivate and retain excellent staff so as to realise the long-term enterprise goals and objectives of the Group. The employee remuneration policy of the Group is determined after taking into account the overall salary level in the industry, employees' performance and other factors. The management regularly reviews the employee remuneration policy and arrangement of the Group.

We provide our employees with salaries and bonuses, as well as employee benefits, including employee retirement benefit schemes, medical and vocational injury insurance schemes and housing provident fund schemes. Our employees located in China are covered by the mandatory social security schemes defined by PRC local practice and regulations, which are essentially defined contribution schemes.

We provide training to all of our employees to have them equipped with the necessary skills to perform their jobs competently and to give them the opportunities to realise their personal career goals and aspirations. We are also committed to providing individuals with management and leadership training that will improve our capability to achieve our vision, mission and growth objectives. We realise the importance of developing individual career paths that will help employees develop their full potential. Development opportunities are provided as a result of on-the-job training and formal training programs.

## **HEDGING ACTIVITIES**

During the year ended 31 December 2020, the Group had not entered into any hedging transaction in relation to foreign exchange risks or interest risks.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group will actively explore investment opportunities in and outside the PRC to diversify its source of income, which may or may not include any acquisition or disposal of assets and/or business by the Group. Any such plans will comply with the applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (where appropriate).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

The Company has adopted and applied the principles and provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

During the Reporting Period, the Company has complied with the mandatory code provisions of the Corporate Governance Code. The Group has always been committed to enhancing its corporate governance level and deems the corporate governance as an integral part of the value created for shareholders of the Company. The Group has, with reference to the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, established a modern corporate governance structure effectively balanced and independently operated by the general meeting, the Board, the supervisory committee and senior management of the Company. The Company has also adopted the Corporate Governance Code as the corporate governance practices of the Company.

### **Compliance with the Model Code for Securities Transactions**

The Group has adopted a set of code with the standard no less favorable than that of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the “**Customised Code**”) as its own code of conduct regarding securities transaction by all Directors, supervisors and the relevant employees of the Company. Having made specific enquiry by the Directors and supervisors of Company (“**Supervisors**”), all Directors and Supervisors confirmed that they had complied with the required standards as set out in the Customised Code during the Reporting Period. No incident of non-compliance with the Customised Code by the relevant employees was noted by the Company.

### **Audit and Risk Management Committee**

The audit and risk management committee of the Company (the “**Audit and Risk Management Committee**”) consists of two independent non-executive Directors and one non-executive Director, namely Mr. Hui Wan Fai (chairman), Mr. Liu Zhonglin and Mr. Lu Chuang, which terms of reference comply with the Listing Rules.

The Audit and Risk Management Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed the relevant internal control and financial reporting matters with the management, including reviewing the consolidated financial results of the Group for the year ended 31 December 2020.

On 30 March 2021, the Audit and Risk Management Committee reviewed and confirmed the annual results announcement of the Group for the year ended 31 December (the “**Annual Results Announcement**”), the 2020 annual report and the consolidated financial information for the year ended 31 December 2020.

### **Scope of Work of Auditor**

The figures set out in the Group’s Annual Results Announcement (“**Annual Results Announcement**”) for the year ended 31 December 2020 have been agreed by the Company’s auditor, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on the Annual Results Announcement.

## **Purchase, Sale and Redemption of the Listed Securities of the Company**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020 and up to the date of this announcement.

### **2020 Annual General Meeting**

The 2020 annual general meeting of the Company (the "AGM") will be held on Wednesday, 12 May 2021, and the notice of the AGM will be published and despatched to Shareholders in due course.

### **2020 Final Dividend**

The Board resolved to declare a final cash dividend of RMB0.1803 per Share (inclusive of tax) for 2020 (the "2020 Final Dividend") to Shareholders whose names appear on the register of members of the Company on 25 May 2021, with a total cash dividend to be distributed of RMB57,673,444.47. The 2020 Final Dividend is expected to be paid in RMB to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares denominated in RMB before 26 July 2021. Dividend payable in Hong Kong dollars will be converted from RMB based on the arithmetic mean of the median of the exchange rates of Hong Kong dollars against RMB as quoted by the PBOC for the five business days preceding the date of the dividend payment (inclusive). The above dividend distribution proposal is subject to the review and approval by Shareholders at the AGM to be held on 12 May 2021. Details of the dividend distribution will be published after the AGM.

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.

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.**

### **Closure of Register of Members**

The Company will hold the AGM on 12 May 2021. The register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021 (both dates inclusive) and from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both dates inclusive), during which periods no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 12 May 2021 will be entitled to attend and vote at the AGM. Shareholders whose names appear on the register of members of the Company on 25 May 2021 will be entitled to receive the 2020 Final Dividend. In order to be qualified as shareholders to attend and vote at the AGM, Shareholders of the Company must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office at Room 418, South 4th Floor, Building 1, No. 66 Changwa Middle Street, Haidian District, Beijing, China (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Thursday, 6 May 2021. In order to be qualified as Shareholders to receive the 2020 Final Dividend (subject to the approval by Shareholders at the AGM), Shareholders must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar (see the address above) (for holders of H Shares) or the Company's registered office (see the address above) (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Tuesday, 18 May 2021.

### **Publication of Results Announcement and Annual Report**

This announcement has been published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.circ.com.cn](http://www.circ.com.cn)). The Company will despatch the annual report for the year ended 31 December 2020 to the Shareholders of the Company in due course, which is available on the aforesaid websites.

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

Beijing, the PRC, 30 March 2021

*As at the date of this announcement, the Board comprises Mr. Meng Yanbin, Mr. Wang Suohui and Mr. Du Jin as executive Directors; Mr. Liu Zhonglin, Mr. Chen Shoulei, Ms. Chang Jinyu, and Ms. Liu Xiuhong as non-executive Directors; Mr. Hui Wan Fai, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang as independent non-executive Directors.*