Upon the Listing of our H Shares on the Stock Exchange, the transactions between the Group and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

## CONNECTED PERSONS

Upon the Listing, the following entities with whom we have entered into certain transactions in our ordinary and usual business will become our connected persons:

- **CNNC**

  As at the Latest Practicable Date, our controlling shareholder, CNNC, owned 98.43% of our total issued share capital directly and indirectly through its controlled entities, i.e., CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment. Immediately after the completion of the Global Offering, CNNC will directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, hold approximately 73.83% of our total enlarged issued share capital (assuming no Over-allotment Option is exercised). Therefore, CNNC and its associates will constitute our connected persons under Chapter 14A of the Listing Rules.

- **CNNC Tongxing**

  As at the Latest Practicable Date, the Company and CNNC (through one of its subsidiary) held 51% and 49% equity interests in CNNC Tongxing, respectively. Immediately after the completion of the Global Offering, CNNC will continue to be our controlling shareholder. Therefore, CNNC Tongxing and its associates will constitute our connected subsidiary under Chapter 14A.16 of the Listing Rules.

- **Headway**

  As at the Latest Practicable Date, the Company and CNNC held 54.1% and 27.9% equity interests in Headway, respectively. Immediately after the completion of the Global Offering, CNNC will continue to be our controlling shareholder. Therefore, Headway is a connected subsidiary of our Company under Rule 14A.16(1) of the Listing Rules, and Headway and its subsidiaries will constitute our connected persons under Chapter 14A of the Listing Rules.

## SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

### Exempt Continuing Connected Transactions

| Nature of the transaction | Applicable Listing Rules | Waiver sought | Proposed annual caps for the year ending December 31 |
|---|---|---|---|
| | | | *(RMB'000)* |
| 1. Trademark License Agreement with CNNC | 14A.76(1)(a) | N/A | N/A |
| 2. Custodian Service Agreement with CNNC | 14A.76(1)(a) | N/A | N/A |
| 3. Guarantee Agreement for Loan Facilities Granted to Headway | 14A.89, 14A.90 | N/A | N/A |

## Non-exempt Continuing Connected Transactions

### A. Continuing connected transactions subject to reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirement

| Nature of the transaction | Applicable Listing Rules | Waiver sought | Proposed annual caps for the year ending December 31 |
|---|---|---|---|
| | | | *(RMB'000)* |
| 1. Property & Equipment Leasing and Related Services Framework Agreement with CNNC | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 43,000<br>2019: 45,000<br>2020: 40,000 |
| 2. Products and Services Supply Framework Agreement with CNNC | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 83,100<br>2019: 82,800<br>2020: 85,000 |
| 3. Products and Services Purchase Framework Agreement with CNNC | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 72,000<br>2019: 79,200<br>2020: 79,500 |
| 4. Exclusive Sales Agreement for Radioactive Sources with CIAE | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 55,080<br>2019: 67,320 |
| 5. Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement with CNNC Tongxing | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 19,400<br>2019: 21,200<br>2020: 21,200 |
| 6. Consultation Service Fee Framework Agreement with CNNC Tongxing | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 22,400<br>2019: 24,700<br>2020: 24,700 |
| 7. Carbon-14 Raw Materials Supply Framework Agreement with Headway | 14A.34, 14A.35, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.76(2)(a) | Announcement requirement | 2018: 5,500<br>2019: 6,000<br>2020: 3,000 |

### B. Continuing connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements

| Nature of the transaction | Applicable Listing Rules | Waiver sought | Proposed caps for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019 |
|---|---|---|---|
| | | | *(RMB'000)* |
| 8. Financial Services Framework Agreement with CNNC | 14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71 | Announcement and independent shareholders' approval requirements | |

| Nature of the transaction | Applicable Listing Rules | Waiver sought | Proposed caps for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019 |
|---|---|---|---|
| | | | *(RMB'000)* |
| • Deposit services | | | |
| (a) Maximum outstanding daily balance | | | 3,082,666 |
| (b) Interest income | | | 45,778 |
| • Settlement, entrusted loans and other financial services | | | |
| (a) Maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC | | | 417,500 |
| (b) Service fees for settlement, entrusted loans and other financial services | | | 125 |
| • Finance leasing fees | | | 2,763 |

## EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Such transactions will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76 (1)(a) of the Listing Rules.

### 1. Trademark License Agreement

**Parties:** CNNC (the licensor); and

The Company (the licensee).

**Principal Terms**: The Company entered into a trademark license agreement (the "**Trademark License Agreement**") with CNNC on June 16, 2018, pursuant to which CNNC agreed to grant a non-exclusive license to the Group to use a number of registered trademarks owned by CNNC (the "**Licensed Trademarks**") on a royalty-free basis. The Trademark License Agreement will take effect from the Listing Date and our right to use the Licensed Trademarks will expire upon CNNC ceasing to be our controlling shareholder. The Group will use the Licensed Trademarks within the scope stipulated in the Trademark License Agreement. For details of the Licensed Trademarks, please refer to "Appendix VI — Statutory and General Information — 2. Further Information about Our Business — B. Our Intellectual Property Rights — (a) Trademarks — The Trademarks Involved in the Trademark License Agreement)".

**Reasons for the Transaction**: Our Company is a principal subsidiary of CNNC and has been CNNC's major sector of nuclear technology application. We have used the Licensed Trademarks for several years and have received market recognition. We believe that to continue to use the Licensed Trademarks after the completion of the Global Offering is in the best interests of the Group and the Shareholders as a whole. The Directors and the Sole Sponsor are of the view that the Trademark License Agreement was entered into on normal commercial terms and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term stable business development and continuity of our market recognition, and it is normal business practice for trademark license agreement of similar type to be of such duration.

**Historical Amount**: During the Track Record Period, we used the Licensed Trademarks on a royalty-free basis. Therefore, the transaction amount in relation to the Licensed Trademarks granted by CNNC to the Group was nil as at December 31, 2015, 2016 and 2017.

**2. Custodian Service Agreement**

**Parties:** CNNC (the trustor); and

the Company (the manager).

**Principal Terms**: On June 16, 2018, we entered into a custodian service agreement (the "**Custodian Service Agreement**") with CNNC, pursuant to which we will manage and operate CNNC Dalian Institute of Applied Technology (the "**Custodian Target Company**") on behalf of CNNC. According to the Custodian Service Agreement, the management and operational powers that we can exercise in relation to the Custodian Target Company include, but do not limit to, (i) approving the annual business plan and financial budget; (ii) approving material biddings, major investments, major borrowings, guarantees and litigation matters; and (iii) attending internal decision-making meetings, participating in discussions and advising on the production and business operations of the Custodian Target Company. The Custodian Target Company must obtain our prior written consent to implement any decision on its main business and management matters made at its internal meetings. The Custodian Service Agreement will be valid for an indefinite period of time unless both parties agreed to terminate the agreement. The Company will not share any profit or loss of the Custodian Target Company.

On June 16 2018, the Company entered into a separate agreement with the Custodian Target Company, pursuant to which, the Custodian Target Company will pay the Company annual custodian service fee based on the actual administrative cost incurred by the Company for the custodian service provided by the Company pursuant to the Custodian Service Agreement each year, including but not limited to traveling and accommodation costs, etc.

**Reasons for the Transaction**: Although the Custodian Target Company is a public institute owned by MOF, the ultimate control and management power is vested in CNNC as so designated by MOF. Regardless that CNNC has further requested our Company to exercise the control and management power, CNNC retains its ultimate control right over the Custodian Target Company. As such, the Custodian Target Company is an associate of CNNC pursuant to Rule 14A.13(3) of the Listing Rules. The Custodian Target Company is primarily engaged in the irradiation services and the production of electronic components for nuclear-related equipment, such as a flow-meter, and switches for detective instruments, etc. The Custodian Target Company suspended its irradiation services in 2013 due to relocation of its irradiation-related production plants and facilities. It has resumed the irradiation service around February 2018 and started to procure raw materials from our Group in the end of 2017, in particular CNNC Tongxing, under the Products and Services Supply Framework Agreement to be entered between CNNC and the Company. For details of such agreement, please refer to "Connected Transactions — Non-exempt Continuing Connected Transaction — Products and Services Supply Framework Agreement". As of the Latest Practicable Date, the Custodian Target Company has a registered capital of RMB3.88 million. For each of the three years ended December 31, 2015, 2016 and 2017, the Custodian Target Company had total assets of approximately RMB60.59

million, RMB62.98 million and RMB63.96 million, respectively; had revenues of approximately RMB42.03, RMB31.01 million and RMB25.75 million, respectively; and recorded profits of approximately RMB 3.56 million, RMB 4.76 million and RMB5.07 million, respectively. As compared to the Company, the scale of operation of the Custodian Target Company is much smaller in terms of total assets, revenues and profits. The financial results of the Custodian Target Company are not consolidated into the Group's financial statements. MOF commissioned CNNC to manage the Custodian Target Company at nil consideration. Such commission derives from the administrative arrangement between MOF and CNNC and the financial results of the Custodian Target Company are not consolidated into the consolidated financial statement of CNNC. Based on the historical relationship between the Company and CNNC and the similarity of the irradiation service business of the Custodian Target Company and us, since 2013, CNNC has commissioned the Company to manage the Custodian Target Company in order to avoid potential competition between CNNC and the Group, and to safeguard the interests of the Company and its Shareholders in respect of irradiation services. As confirmed by the Company's PRC counsel, King & Wood Mallesons, the Custodian Service Agreement does not require the consent of the MOF as the owner of the Custodian Target Company.

The Custodian Target Company and the Company operate in different geographic areas and target different clients. As a common market practice, the service range of an irradiation station is usually within 300 kilometers. It is neither practicable nor cost-effective for an irradiation station to provide services beyond 300 kilometers. The Custodian Target Company operates its business mainly in Dalian, Liaoning Province while CNNC Isotope & Radiation (Changchun) Radiation Technology Co., Ltd. (the Company's subsidiary which is also engaged in irradiation business) mainly operates in Changchun, Jilin Province. The distance between the irradiation station of the Custodian Target Company and CNNC Isotope & Radiation (Changchun) Radiation Technology Co., Ltd. is more than 600 kilometers, which is far more than the usual service range of an irradiation station. The target clients of CNNC Isotope & Radiation (Changchun) Radiation Technology Co., Ltd. are mainly traditional Chinese medicine and food companies, as Jilin Province focuses on traditional Chinese medicine planting and processing industries, while the clients of Custodian Target Company are mainly medical equipment, seafood processing and local food companies, as Dalian is the largest port in Northeast China and an important industrial base. In addition, the Company can exercise various management rights over the Custodian Target Company and have veto rights in its operation and production plans and major investment decisions. The Company has established Irradiation Business Department to manage the client resources of its subsidiaries and the Custodian Target Company. If there exists competition between the Group and the Custodian Target Company, the Company will take measures to eliminate the competition in a timely manner. There also exists synergy between the Group and the Custodian Target Company. The Custodian Target Company has rich experience in irradiation services and holds extensive research and development knowledge and technologies in irradiation-related market. By exercising the broad management rights in the Custodian Target Company, in particular by participating in various meetings in relation to the Custodian Target Company's operation and development, the Group is able to exchange up-to-date research and development knowledge and technologies with the Custodian Target Company, so as to improve the Group's overall performance in the irradiation business area. We incurred an insignificant amount of administrative costs in managing the Custodian Target Company, which mainly consists of traveling and accommodation costs. For example, the Group only incurred approximately RMB0.11 million, RMB0.53 million and RMB0.15 million traveling and accommodation costs in 2015, 2016 and 2017, respectively. The Company also expects that such costs will remain insignificant in the future. In light of the above, the Directors are of the view that the provision of custodian services is in line with the Group's business needs and economic interests and the interest of the Shareholders as a whole.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, respectively, the transaction amount in relation to the custodian services was nil.

**3. Guarantee Agreement for Loan Facilities Granted to Headway**

**Parties**: The Company (the guarantor),

CNNC Technology (the guarantor),

HTA (the guarantor),

Guangzhou Yanghui Investment and Consultation Co, Ltd. ("**Yanghui Investment**", the guarantor), and

China Development Bank (the guarantee).

**Principle Terms**: The Company entered into a guarantee agreement with CNNC Technology, HTA, Yanghui Investment and China Development Bank on April 11, 2017 (the "Guarantee"). Pursuant to the Guarantee, our Company, CNNC Technology, HTA and Yanghui Investment undertakes to provide guarantee to China Development Bank in respective of a bank loan of RMB200 million granted by China Development Bank to Headway as to 34.1%, 27.9%, 20% and 14.72%, respectively. The Guarantee will be effective from the date of the Guarantee and expire upon two years after the last payment due date of the bank loan, namely April 10, 2024.

**Reasons for the Transaction**: As of the Latest Practicable Date, our Company, CNNC Technology, HTA and Yanghui Investment held 34.1%, 27.9%, 20% and 14.72% interest in Headway, respectively. HTA is a subsidiary of our Company. CNNC Technology is an associate of CNNC, our controlling shareholder. To the best knowledge and belief of the Directors, China Development Bank is an Independent Third Party of the Group. The Guarantee was granted by us in our capacity as a shareholder of Headway, and was procured in the proportion of the interest held directly by each of our Company, CNNC Technology, HTA and Yanghui Investment in Headway, respectively, on a several and not joint basis. Given Headway is our connected subsidiary, in which CNNC indirectly holds 34.1% equity interests, (i) the guarantees provided by our Company and HTA in respect of Headway's loan facilities under the Guarantee constitutes financial assistance provided by our Group to a connected person under Rule 14A.89 of the Listing Rules; and (ii) the guarantee provided by CNNC Technology in respect of Headway's loan facilities under the Guarantee constitutes financial assistance received by our Group from a connected person under Rule 14A.90 of the Listing Rules. The Guarantee was entered into in the ordinary course of business for the purpose of facilitating the grant of the loan facilities to Headway and is not secured by the assets of our Group. It is a common practice in the PRC that the lending banks require the provision of corporate guarantees or other forms of security from a borrower's shareholders. The Guarantee will continue after the Listing and will constitute financial assistance. We have not charged any fees in relation to the provision of the guarantees and will continue to provide the guarantee at no charge after the Listing. The Directors are of the view that the Guarantee is fair and reasonable, on normal commercial terms and in our Shareholders' interest as a whole.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### A. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirement

The following transactions have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Such transactions will be subject to reporting, annual review and announcement requirements but exempt from strict compliance with the shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

### 1. Property & Equipment Leasing and Related Services Framework Agreement

**Parties**: CNNC (the lessor and service provider); and

the Company (the lessee and service recipient).

**Principal Terms**: The Company entered into the property & equipment leasing and related services framework agreement (the "**Property & Equipment Leasing and Related Services Framework Agreement**") with CNNC on June 16, 2018, pursuant to which we will rent or use a number of properties and equipment from CNNC and/or its associates, and CNNC and/or its associates will provide us with supporting services relating to the properties and equipment and other services. Such properties and equipment are mainly used for our production, operation and management, including but not limited to: (i) office buildings, land and office facilities; (ii) production plants (mainly used to produce technetium-99m labeled injections, fluorine-18-FDG injections and iodine-125 sealed source etc.); (iii) production facilities in relation to waste liquid and gas emissions and treatment services and others; (iv) production equipment (mainly high-power accelerator); (v) common areas and facilities (including kindergarten, water and electricity facilities and other facilities); and (vi) services associated with employee education, safety production and research and development of technologies. Please also refer to "Business — Properties" for details of the buildings/plants and lands leased by us from CNNC and its associates. In particular, there are certain parcels of lands for which CNNC have not yet to enter into specific lease agreements with us, pending CNNC's relevant internal procedures. However, CNNC expects to complete such internal procedures by no later than the Listing Date, and the Property & Equipment Leasing and Related Services Framework Agreement will cover all the properties, plants and facilities leased by the Company and its subsidiaries from CNNC and its associates. The Property & Equipment Leasing and Related Services Framework Agreement will be effective from the Listing Date and expire on December 31, 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction**: Historically the Group has rented or used a number of properties and equipment of CNNC and/or its associates for the purpose of the Group's production, operation and management, and CNNC and/or its associates have provided us with general supporting services relating to such properties and equipment. In view of (a) the quality of the equipment and facilities provided by CNNC in the field of nuclear technology; (b) the Group's long-term business relationship with CNNC; and (c) the fact that certain key equipment and facilities were tailor made for our Group's production purpose, the leasing of such properties and equipment is in line with the Group's business needs and economic interests and Shareholders' interests as a whole. Relocation or switch to new equipment and facilities will give rise to additional costs and expenses, cause interruption to our production and require additional training costs and time. In addition, the high-quality employee education services, safety production training services and scientific research-related services provided by CNNC enable the Group to improve its management skills, to enhance its safety production and to improve its scientific research capability. In light of the above, the Directors are of the view that it is in the Shareholders' best interest to continue the current arrangement with CNNC and/or its associates in relation to the lease of the properties, equipments and the related services.

**Pricing Policy**: We determine the rents and service fees in accordance with the following criteria:

- The rental for properties and equipment for administrative and other general purposes shall be equal to or not higher than the prevailing market price offered by an Independent Third Party under the same circumstances.
- As for the service fees for waste liquid and gas treatment and disposal, the Group will refer to the annual volume of the waste liquid and gas treated and/or disposed and the service fees calculated based on the staff costs and facility costs.
- The service fees in respect of employee education, safety production and scientific research will be determined with reference to several factors, including the relevant costs incurred by CNNC and/or its associates in providing such service and our business scale.
- The rental for certain properties and equipment designed with industry specialties will be determined by the parties through fair negotiation based on the costs of the relevant services provided by CNNC and/or its associates, such as equipment depreciation and staff costs.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, respectively, the amounts of the transactions in connection with the Property & Equipment Leasing and Related Services Framework Agreement are set out as follows:

| | Historical Amounts *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Property & equipment leasing and related services | 18,646 | 19,894 | 20,165 |

**Annual Caps**: For each of the three years ended December 31, 2020, the estimated annual caps for property & equipment leasing and related services are set out below:

| | Proposed annual caps for the year ending December 31 *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Property & equipment leasing and related services[1] | 43,000 | 45,000 | 40,000 |

[1] As for the rental for the Group's office building leased from CNNC and/or its associates and payable by the Group to CNNC and/or its associates, the Group has prepaid RMB13,440,000 as at February 9, 2010. Such amount has been included in the annual caps.

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The rentals for the existing properties, equipment and facilities leased from CNNC and/or its associates, and the service fees for waste liquid and gas treatment and disposal provided by CNNC are expected to increase by 10% per year for the three years ending December 31, 2020, taking into considerations that:

- the current area space of the properties and the quantities and types of equipment and facilities leased by the Group from CNNC and/or its associates.
- the expected market price for the leased properties and equipment and the expected changes in market price after renewal of such leases.
- the expected volume of the waste liquid and gas treated and/or disposed based on the Group's business development plan, the raising standard for waste liquid and gas emission in compliance with applicable environmental protection laws and regulations, and the increase of processing costs for the waste liquid and gas.
- the Group's estimated demand for its production plants, equipment and related supporting services needed based on its business expansion and its estimated production capacity.
- the rental for the Company's office building leased from CNNC, being RMB 3,078,300 for 2017 and expected to increase by 10% in each of the following three years;
- the rental for new production and/or research properties leased by HTA and BNIBT from CNNC, with an aggregate area space of approximately 11,000 square meters, was RMB 2 million for the year ended December 31, 2017, and is expected to be RMB 5.5 million for the year ending December 31, 2018, RMB 6 million for the year ending December 31, 2019, and RMB6.5 million for the year ending December 31, 2020, respectively.

- The Company is developing its gel generator stacking business, and expects to lease relevant equipment for stacking hole service from NPIC, which will incur service fee of approximately RMB10 million per year in the following three years ending December 31, 2020.

**2. Products and Services Supply Framework Agreement**

**Parties**: CNNC (the purchaser); and

the Company (the supplier).

**Principal Terms**: The Company entered into a products and services supply framework agreement (the "**Products and Services Supply Framework Agreement**") with CNNC on June 16, 2018, pursuant to which CNNC and/or its associates would purchase the following products from the Group: radioactive source products, radioactive instruments and pharmaceuticals. The Group will also provide detection, recycling, transportation, reloading and other ancillary services related to the sales of such products and research and development services related to research and development projects. The term of the Products and Services Supply Framework Agreement shall start from the Listing Date until December 31, 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction**: The Group sells radioactive source products, radioactive instrument and pharmaceuticals to CNNC and/or its associates in its ordinary and usual business. For example, we sell isotope products to CNNC and/or its associates for their engineering projects and radioactive products to their hospitals. Serving as the major force for the nuclear technology application business of CNNC, the provision of research services by the Group to CNNC could facilitate the success of certain key projects by using centralized resources with synergy effect of enhancing the competitiveness of both CNNC and the Group along the whole industrial chain.

**Pricing Policy**: The product prices to be paid to the Group by CNNC and/or its associates will be determined by relevant parties through fair negotiation, and shall not be more favorable than those offered by us to Independent Third Parties in the latest three months. The Group will refer to historical prices of the products, collect information on the market prices and profit margins of the relevant products through channels like industry associations or industry peers, and price based on the average market profit margins or cost-plus principle to ensure that the products and services provided by us to CNNC and/or its associates are on fair and reasonable terms. The relevant costs include raw materials, accessories, depreciation, labor, energy, management fees, financial costs, etc. If our Group also provides transportation and other related services, the costs of such services will be reflected in the sale prices accordingly. As certain products are provided exclusively by our Group, we will ensure that the terms on which these transactions are entered into between us and CNNC and/or its associates will not be more favorable than those offered by us to Independent Third Parties under the same circumstances. The pricing for the research services provided by us to CNNC and/or its associates shall be mainly determined by reference to the cost of the research services through negotiation between both parties.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, the amounts of transactions involved in the products and services supply are set out as follows:

| | Historical Amounts *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Products and services supply | 71,020 | 54,623 | 53,664 |

**Annual Caps**: For each of the three years ending December 31, 2020, the estimated annual caps for the products and services supply are set out as below:

| | Proposed annual caps for the year ending December 31 *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Products and services supply | 83,100 | 82,800 | 85,000 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The historical transaction amounts and market price (as applicable) of each type of materials and service and the relevant industry development trend.
- Our Company is the major supplier of certain types of radioactive sources for CNNC and its associates to build and operate nuclear power station. Therefore, the Company will refer to the mid-term and long-term nuclear power development plan of the National Energy Administration to estimate CNNC's purchase demand for radioactive sources from us. Based on the nuclear power development plan of the National Energy Administration for year 2030, it is estimated that the amount of radioactive sources to be purchased by CNNC and/or its associates from us in the following three years will increase by around 10% yearly on average. However, such estimate is subject to specific approval of the National Energy Administration on nuclear power station each year.

- Based on the historical amount of the radioactive instruments and pharmaceuticals purchased by CNNC and/or its associates from us, the historical import cost for radioactive instruments and cost of raw materials for pharmaceuticals, etc. in the past three years, we expect that the amount of radioactive instruments and pharmaceuticals to be purchased by CNNC and/or its associates from us will increase by approximately 10% - 15% annually in the next three years;
- The expected progress of the key research projects initiated by CNNC and undertaken by us. In particular, CNNC paid RMB20 million to our Group for reach projects relating to gamma knife in 2017. Based on the above, the research fees to be paid by CNNC and/or its associates to us are estimated to be around RMB10 million on average for each of the following three years.
- It is expected that the Custodian Target Company will purchase approximately RMB7 million of cobalt-60 radioactive sources from CNNC Tongxing for the year of 2018 after it resumes its irradiation service. Such transaction amount has taken into account the following factors:
  - the Custodian Target Company's production capacity;
  - the half-life period of cobalt-60 radioactive sources; and
  - the market demand for irradiation services provided by the Custodian target Company when determining the Transaction Amount.

  Also due to the radioactivity status and half-life period of cobalt-60, the Custodian Target Company does not expect to purchase any additional cobalt-60 radioactive sources from CNNC Tongxing for the year of 2019 and 2020.

**3. Products and Services Purchase Framework Agreement**

**Parties**: The Company (the purchaser); and

CNNC (the supplier).

**Principal Terms**: The Company entered into a products and services purchase framework agreement (the "**Products and Services Purchase Framework Agreement**") with CNNC on June 16, 2018, pursuant to which CNNC and/or its associates will provide the Group: (i) various types of raw and auxiliary materials, production equipment and other products; (ii) transportation containers (including related design and manufacturing services); (iii) technical testing services; (iv) encapsulation and processing services of cobalt-60 radioactive sources; and (v) scientific research services related to high-end irradiation research and development. The term of the Products and Services Purchase Framework Agreement shall start from the Listing Date and expire on December 31, 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction**: Historically CNNC and/or its associates have been the suppliers of raw and auxiliary materials, production equipment, technical testing, and irradiation services to the Group in its ordinary course of business. CNNC has a leading position in the field of nuclear materials processing, the production of nuclear production equipment, nuclear technology testing and irradiation research and development. As a result of the long-term cooperation between our Group and CNNC and/or its associates in this regard, CNNC and/or its associates have accumulated knowledge and understanding in our business needs for the products and services. Therefore, our Directors are of the view that it is efficient for us to continue such transactions with CNNC and/or its associates and it is in the best interest of the Company and the Shareholders as a whole.

**Pricing Policy**: We will determine the purchase prices by taking into account the following factors:

- The costs for relevant products and services, including labor costs and material costs.
- The Group will regularly contact its suppliers (including CNNC and/or its associates and independent suppliers) to understand the market conditions.
- the Group will organize public tendering process in relation to significant purchase orders in accordance with our internal tendering rules and will determine the final price based on the results of such process.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, the amounts of transactions involved in the products and services purchase are set out as follows:

| | Historical Amounts *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Products and services purchase | 59,050 | 59,476 | 84,657 |

**Annual Caps**: For each of the three years ended December 31, 2020, the estimated annual caps for the products and services purchase are as follows:

| | Proposed annual caps for the year ending December 31 *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Products and services purchase | 72,000 | 79,200 | 79,500 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The historical transaction amounts between the Group and CNNC and/or its associates during the Track Record Period, including the historical procurement costs.
- The cost for the products and services is expected to increase by 10% annually in the following three years, taking into account:
  - (i) the expected increase of unit price for raw and ancillary materials and production equipment;
  - (ii) the service life and evaluation period of transportation containers, market prices of transportation containers offered by independent third parties;
  - (iii) the expected increase of site cost, labor cost, maintenance cost and safety & security cost for encapsulation and processing services of cobalt-60 radioactive sources;
  - (iv) the raising standard for technical testing and the increasing demand for technical testing; and
  - (v) the demand and development plan for scientific research relating to high-end irradiation.

**4. Exclusive Sales Agreement for Radioactive Sources**

**Parties**: The Company (the purchaser); and

CIAE (the supplier).

**Principal Terms**: The Company entered into an exclusive sales agreement (the "**Exclusive Sales Agreement for Radioactive Sources**") in respect of radioactive sources with CIAE on August 30, 2016, pursuant to which the Company will be the exclusive distributor of the standard radioactive sources and non-destructive testing radioactive sources produced by CIAE and/or its associates. The term of the Exclusive Sales Agreement for Radioactive Sources shall start from the Listing Date and expire on December 31, 2019, subject to renewal as may be agreed on by both parties.

**Reasons for the Transaction**: CIAE's Division of Radiation Metrology is the highest radiometrological organization in China, which was accredited by the China National Accreditation Service for Conformity Assessment (CNAs) in 2013. It is one of the few enterprises that are qualified to issue standard radioactive source certificate, and has accumulated extensive experience in the production of standard radioactive sources and non-destructive testing radioactive sources. To avoid business competition between the Group and CIAE and/or its associates in respect of standard radioactive sources and non-destructive testing radioactive sources, and to consolidate market resources, the Company entered into the Exclusive Sales Agreement for Radioactive Sources with CIAE. For details of the status of the business competition between us and CIAE in respect of the radioactive sources, please refer to the section, "Relationship with the Controlling Shareholder — Delineation of Business and Competition".

**Pricing Policy**: The price to be paid by the Company for purchasing the products to be supplied by CIAE and/or its associates is determined by the relevant parties through fair negotiation, taking into account the costs of radioactive raw and auxiliary materials, labor costs, utilities costs, transportation costs, depreciation of fixed assets, taxes, management costs and profit. Our Group will also compare the purchase price with the relevant historical prices offered by the CIAE and other Independent Third Parties before the entering into the transactions pursuant to the Exclusive Sales Agreement for Radioactive Sources.

**Historical Amount**: For each of the three years ended December 31, 2015, 2016 and 2017, there was no sales transaction between the Group and CIAE and/or its associates.

**Annual caps**: For each of the two years ending December 31, 2019, the estimated annual caps for the exclusive sales of radioactive sources are set out below:

| | **Proposed annual caps for the year ending December 31** *(RMB'000)* | |
|---|---|---|
| | **2018** | **2019** |
| Standard radioactive sources | 3,780 | 4,320 |
| Non-destructive testing radioactive sources | 51,300 | 63,000 |
| Total | 55,080 | 67,320 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The Group's historical procurement costs (including raw material costs and manufacturing costs), the expected market conditions, increasing market demand and cost inflation. In recent years, the market demand for standard radioactive sources and non-destructive testing radioactive sources increases by approximately 5%-10% per year.

- Based on the historical production amounts and sales volume of radioactive sources of CIAE and/or its associates in 2015, 2016 and 2017, we estimate that our purchase amount of the radioactive sources to be produced by CIAE would increase by approximately 5% to 10% annually in the following three years.

**5. Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement**

**Parties**: The Company (the purchaser); and

CNNC Tongxing (the supplier).

**Principal Terms**: The Company entered into a cobalt-60 radioactive sources supply and related services framework agreement (the "**Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement**") with CNNC Tongxing on June 16, 2018, pursuant to which the Group will purchase cobalt-60 radioactive sources from CNNC Tongxing and/or its associates, and CNNC Tongxing and/or its associates will provide related services such as transportation and reloading in connection with the sales of cobalt-60 radioactive sources. The term of the Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement shall start from the Listing Date and expire on December 31, 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction**: CNNC Tongxing is the exclusive domestic supplier of cobalt-60 radioactive sources in the PRC. Due to the relationship between our Group and CNNC Tongxing, it is easier to purchase cobalt-60 radioactive sources from CNNC Tongxing and more efficient to recycle the waste, so as to reduce the costs of import, transportation and waste treatment and disposal relating to importing cobalt-60 radioactive sources overseas.

**Pricing Policy**: The terms of purchasing cobalt-60 radioactive source from CNNC Tongxing should be no less favorable than the terms of the agreements entered into between the Group and Independent Third Parties overseas. The purchase prices payable to CNNC Tongxing and/or its associates by us shall be determined by the parties through fair negotiation with reference to the production costs of the cobalt-60 radioactive sources and the prevailing price in the international market.

**Historical Amounts**: For each of the year ended December 31, 2015, 2016 and 2017, respectively, the amounts of transactions in respect of the cobalt-60 radioactive sources supply and related services were as follows:

| | **Historical Amount** *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Cobalt-60 radioactive sources supply and related services . . . . . . . . . . . . . . . . . . . . | 17,788 | 5,614 | 8,726 |

**Annual Caps**: For each of the three years ended December 31, 2020, the estimated annual caps for the cobalt-60 sources supply and the related services are set out as below:

| | **Proposed annual caps for the year ending December 31** *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Cobalt-60 radioactive sources supply and related services . . . . . . . . . . . . . . . . . . | 19,400 | 21,200 | 21,200 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The expected demand of cobalt-60 radioactive sources for the Group's existing seven irradiation stations, the Group's existing storage amount of cobalt-60 radioactive sources and the radioactivity level of such cobalt-60 radioactive sources. In particular,
  - the half-life period of cobalt-60 radioactive sources is approximately five years;
  - the Group started to purchase cobalt-60 radioactive sources to replenish its irradiation stations in 2011 and 2012;
  - the Group's existing irradiation stations requires 700,000 to 800,000 Ci of cobalt-60 radioactive sources per year on average; and
  - replenishment of cobalt-60 radioactive sources for irradiation stations is required from time-to-time, as the radioactivity level of cobalt-60 declines at a rate of approximately 12% per year.
- The Group's plan to purchase and/or operate additional irradiation stations in the next three years. As disclosed in "History, Development and Corporate Structure" of this prospectus, the Company is in the process of acquiring the operating assets, including an irradiation station, of Saiwang (Taizhou) Irradiation Technology Application Co., Ltd.
- The historical and expected sales prices and production costs (including raw material cost, labor cost and production facility cost etc.) of cobalt-60 radioactive sources supplied by CNNC Tongxing and/or its associates.
- The production capacity of cobalt-60 radioactive sources of CNNC Tongxing and its associates.

**6. Consultation Service Fee Framework Agreement**

**Parties**: CNNC Tongxing (the service receiver); and

the Company (the service provider).

**Principal Terms**: The Company entered into a consultation service fee framework agreement (the "**Consultation Service Fee Framework Agreement**") with CNNC Tongxing on June 16, 2018, pursuant to which the Company will provide technical support and consulting services to CNNC Tongxing and/or its associates relating to the distribution channels and customer resources of cobalt-60 radioactive sources, and CNNC Tongxing and/or its associates will pay us consultation service fees. The term of the Consultation Service Fee Framework Agreement shall start from the Listing Date and expire on December 31, 2020, subject to renewal as may be agreed upon by both parties.

**Reasons for the Transaction**: In response to the PRC government's requirements for the domestication of cobalt-60 radioactive sources and in light of the strategic transformation of the Group, the Company is no longer engaged in the import and sale of cobalt-60 radioactive sources and has offered the corresponding market channels and customer resources, and provided marketing and technical support, to CNNC Tongxing and/or its associates. In turn, CNNC Tongxing and/or its associates pay the Company consulting fees for the sale of cobalt-60 radioactive source products.

**Pricing Policy**: The consulting service fees to be paid by CNNC Tongxing and/or its associates to the Company are determined by the relevant parties through fair negotiation, taking into account the following factors: our historical sales revenue of cobalt-60 radioactive sources, the demand trends of cobalt-60 radioactive sources over the next three years, and the estimated costs of the consulting services provided by the Company over the next three years.

**Historical Amounts**: For each of the year ended December 31, 2015, 2016 and 2017, the amounts of the transactions for the consulting service were as follows:

| | Historical Amounts *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Consulting service fee | 12,787 | 12,360 | 14,423 |

**Annual caps**: For each of the three years ending December 31, 2020, the estimated annual caps for consulting service are set out as below:

| | Proposed annual caps for the year ending December 31 *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Consulting service fee | 22,400 | 24,700 | 24,700 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The historical and expected sales amount of cobalt-60 radioactive sources of CNNC Tongxing.
  - In 2015, 2016 and 2017, CNNC Tongxing sold approximately 4 million, 4 million and 5 million Ci of cobalt-60 radioactive sources in the PRC domestic market, respectively.
  - As of the Latest Practicable Date, CNNC Tongxing has entered into certain sales agreements with overseas third party purchasers, pursuant to which CNNC Tongxing is required to produce and sell approximately 3 million Ci of cobalt-60 radioactive sources on average in each of the following three years. Such sales agreements are pending approval by relevant authorities and expect to become effective soon.
- The changes in the market price and costs (including raw materials cost, labor cost and production equipment cost) of cobalt-60 radioactive sources in the next three years.
- The maximum production capacity of cobalt-60 radioactive sources of CNNC Tongxing and its associates is approximately 9 million Ci. It is expected that CNNC Tongxing will realize its full production capacity in 2019 and therefore our purchase amount from CNNC Tongxing will be the same for each year of 2019 and 2020.

### 7. Carbon-14 Raw Materials Supply Framework Agreement

**Parties**: Headway (the purchaser); and

the Company (the supplier).

**Principal Terms**: The Group entered into a carbon-14 raw materials supply framework agreement (the "**Carbon-14 Raw Materials Supply Framework Agreement**") with Headway on June 16, 2018, pursuant to which the Group will provide Headway and/or its associates with carbon-

14 as the raw materials for production of carbon-14 breath-testing medicine boxes. The Group will also provide ancillary services such as packaging and transportation relating to provision of the carbon-14 raw materials. The term of the Carbon-14 Raw Materials Supply Framework Agreement shall start from the Listing Date and expire on December 31, 2020, subject to renewal as may be agreed on by both parties.

**Reasons for the Transaction**: Headway specializes in the field of breath diagnosis, and carbon-14 is the main raw material for carbon-14 breath-testing products. Due to the Group's advanced nuclear application technology and its long-term and stable cooperation relationship with international carbon-14 raw materials suppliers, we can import high-quality and stable carbon-14 raw materials from Russia and other countries, so the Group is the exclusive supplier of carbon-14 raw materials to Headway and/or its associates.

**Pricing Policy**: The fee payable to the Group by Headway and/or its associates will be determined by parties through mutual negotiation based on the cost-plus method, taking into account our purchasing costs of carbon-14 imported by the Group from Russia and other countries, and the costs of manpower, warehousing and transportation of the Group during the selling process.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, the amounts of the transactions for the sale of carbon-14 raw materials and ancillary services were as follows:

| | Historical Amount *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Sale of Carbon-14 raw materials and supply of ancillary services | 5,245 | 2,720 | 11,400 |

**Annual caps**: For each of the three years ended December 31, 2020, the estimated annual caps for the sale of carbon-14 raw materials and ancillary services are set out below:

| | Proposed annual caps for the year ending December 31 *(RMB'000)* | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Sale of carbon-14 raw materials and supply of ancillary services | 5,500 | 6,000 | 3,000 |

**The Basis for Annual Caps**: The above annual caps are determined by reference to the following factors:

- The business plan and development of Headway and/or its associates in the next three years.
  - Based on Headway's historical sales volume of carbon-14 breath-testing medicine boxes in 2015, 2016 and 2017, it is expected that the clinical demand for carbon-14 breath-testing medicine boxes produced by Headway may increase by approximately 10% annually in the following three years.
- The expected changes relating to the price, supply and demand for carbon-14 raw materials in the international market and the import cost of carbon-14 raw materials.
  - Headway purchased urea as raw materials for the production of carbon-14 breath-testing medicine boxes in 2014. Due to technical update, in 2015, 2016 and 2017,

Headway purchased barium carbonate as alternative raw materials for the production of carbon-14 breath-testing medicine boxes. The unit price of urea is approximately 2 times higher than barium carbonate.

- Based on the market price and demand of different types of raw materials for the production of carbon-14 breath-testing medicine boxes in domestic and international market, and Headway's business strategies and demand for such raw materials, Headway plans to balance its purchase of different types of raw materials in the future.
- Headway is expected to commence independent production on its own in 2020 after its relocation to new production base. Therefore, its cost in production will significantly decrease by approximately 60% in 2020 due to technology update in the new production base.

**B. Continuing connected transaction subject to the reporting, annual review, announcement and independent shareholders' approval requirements**

The following transaction has been carried out and will be entered into in our ordinary and usual business and on normal commercial terms or better, and our Directors expect that the relevant percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Such transaction will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**8. Financial Services Framework Agreement**

**Parties:** The Company (service recipient); and

CNNC (service provider)

**Principal Terms**: The Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with CNNC on June 16, 2018, pursuant to which CNNC and/or its associates will provide the Group with, among other things, (i) deposits and related services (the "**Deposit Services**"); (ii) entrusted loan, settlement, foreign exchange and other services (the "**Settlement**, **Entrusted Loan and Other Financial Services**"); and (iii) financial leasing service (the "**Financial Leasing Service**") for certain assets used in the operation of the Group. The Financial Services Framework Agreement will be effective on the Listing Date and expire on the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019, subject to renewal as may be agreed upon by both parties and approved by the independent Shareholders at the general meeting of the Company.

In accordance with the Financial Services Framework Agreement, CNNC and/or its associates has agreed to provide the Group with the financial services pursuant to the following principal terms:

a) other than the services provided by CNNC and/or its associates under the Financial Services Framework Agreement, the Group may obtain financial services from other financial institutions;

b) any counterparty may not terminate the Financial Services Framework Agreement unilaterally; and

c) after the termination of the Financial Services Framework Agreement, the Group has the right to withdraw its deposits with CNNC and/or its associates immediately.

CNNCFC, a non-bank financial company and a subsidiary of CNNC, has deep understanding in the industry characteristics, capital structures, business operations, financing need, cash flow patterns and the entire financial management system of the Group through its previous cooperation with us. It provides services to the Group on equal or better commercial terms compared to those offered by other external independent commercial banks. In addition, as it is a major clearing and settlement platform of CNNC and its associates, using the services from CNNCFC enables us to reduce costs, maximize efficiency and benefit from the capital pool managed by CNNC.

CNNC also has a professional financial leasing service provider, namely CNNC Financial Leasing Company. As CNNC Financial Leasing Company is familiar with the business nature of the Group, the Group is able to obtain financial leasing services from CNNC Financial Leasing Company with ease, and benefit from equal or more favorable fees as compared to those provided by major independent commercial banks.

**Pricing Policy**: The pricing policy under the Financial Services Framework Agreement is as follows:

a) Deposit Services: The deposit interest rates shall not be lower than (i) the deposit interest rates of a similar category of deposit in the same period promulgated by PBOC; or (ii) the public interest rates of a similar category of deposit in the same period provided by major independent commercial banks.

b) Settlement, Entrusted Loan and Other Financial Services: The fees payable to CNNCFC for the settlement, entrusted loan and other financial services will be determined with reference to the market rates of similar services promulgated by PBOC and will be equal to or more favorable than the rates offered by major independent commercial banks.

c) Financial Leasing Services: The financial leasing service fees to be charged by CNNC and/or its associates will be equal to or more favorable than the fees offered by other domestic financial leasing institutions.

**Historical Amounts**: For each of the three years ended December 31, 2015, 2016 and 2017, the amounts of transactions involved in the financial services are set out as follows:

| | **Historical Amounts** *(RMB'000)* | | |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| Deposits of the Group with CNNCFC | | | |
| Maximum daily balance | 767,309 | 747,731 | 1,482,666 |
| Interest income | 4,488 | 5,847 | 14,465 |
| Maximum daily balance of entrusted loans provided by our Group through CNNCFC | Nil | 7,500 | 16,000 |
| Service fees for settlement, entrusted loans and other services | Nil | 2 | 4.8 |
| Financial leasing fees | Nil | Nil | Nil |

**Annual Caps**: For the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019, the estimated caps of the Financial Services Framework Agreement are set out below:

| | *(RMB'000)* |
|---|---|
| | **the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019** |
| Deposits of the Group in CNNCFC | |
| Maximum daily balance | 3,082,666 |
| Interest income | 45,778 |
| Maximum daily balance of entrusted loans provided by our Group through CNNCFC | 417,500 |
| Service fees for settlement, entrusted loans and other services | 125 |
| Financial leasing fees | 2,763 |

**The Basis for Caps**: Caps for the deposits and the interest income: In determining the caps for the deposits and interest income for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019, the Company mainly refers to: (i) the amounts of deposits and interest income of the Group with CNNCFC during the Track Record Period; and (ii) the net proceeds from the Global Offering are expected to be deposited with CNNCFC.

Caps for settlement, entrusted loans and other financial services: In determining the caps for settlement, entrusted loans and other financial services for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019, the Company mainly refers to: (i) the amount of entrusted loans provided by CNNCFC to the Group and the service fees related thereto during the Track Record Period; (ii) the anticipated net cash inflow of the Group (including the anticipated payments from the uncompleted contracts and new contracts); (iii) the fact that the Company intends to obtain entrusted loans from CNNCFC for its subsidiaries to support their business development, and the Company does not intend to lend the net proceeds from the Global Offering to CNNC and/or its associates (other than the subsidiaries of the Company) by way of entrusted loans; and (iv) the projected business volume for the year ending 2018 annual general meeting of the Company to be convened in early 2019, and the estimated charges for cash settlement and foreign exchanges based on the ratio of the amount of cash settlement and foreign exchanges to the related charges in the past. Specifically, as of the Latest Practicable Date, the Company has provided entrusted loans in the amount of approximately RMB16.0 million through CNNCFC to the members of the Group, and will provide additional entrusted loans of approximately RMB 402 million to members of the Group through CNNCFC.

Caps for financial leasing: Given that our Group will utilize certain assets through financial leasing to conduct irradiation business, in determining the caps for fees of financial leasing for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019, the Company mainly refers to: (i) changes in the prices of the assets required for our irradiation and radiopharmaceuticals business; and (ii) the expected rental payable by our Group for the assets required for our irradiation and radiopharmaceuticals business.

**The Background Information of CNNCFC and CNNC Financial Leasing Company**

**CNNCFC**

CNNCFC was established on July 21, 1997 by CNNC and CNNC's 25 member units, with a registered capital of RMB 2,009.6 million. CNNCFC is a non-bank financial institution which strengthens the centralized management of fund within the CNNC group, improves the fund utilization efficiency and the financial management services for CNNC groups' member units.

With respect to the entrustment loan service provided by CNNCFC, CNNCFC only acts as a financial agent to facilitate the Group to provide loans to the Group's subsidiaries. Under PRC laws, the Company is prohibited from lending money directly to its subsidiaries and is required to engage financial institutions to provide entrusted loans. On one hand, during the ordinary business of the Group, from time to time the Company needs to finance its subsidiaries to conduct investments, establish new projects, among others. The use of CNNCFC as a vehicle through which intra-group loans could be arranged allow for the more efficient deployment of funds. Compared to other financial institutions, CNNCFC is a safe, flexible and cost efficient option which may not otherwise be available in the open market. On the other hand, as we only provide entrustment loans when we have surplus cash, such loans did not in the past, nor are they expected in the future, pose any cash flow pressure on us. In addition, as mentioned above, with a deep understanding of the industry characteristics, capital structures, business operations, financing needs, cash flow patterns and the entire financial management system of the Group, CNNCFC is able to provide entrusted loan services to members within the Group on terms no less than, or more favorable than, those available from major commercial banks or independent financial institutions, which enables us to reduce costs, maximize efficiency and benefit from the capital pool managed by CNNC.

CNNCFC is subject to the *Administrative Measures on Finance Companies within Group Enterprises* (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBRC. The establishment of such non-bank financial institutions is subject to approval by CBRC and their operation is subject to the ongoing supervision of CBRC. Non-bank financial institutions shall comply with applicable regulations relating to interests rates issued by PBOC and CBRC.

Pursuant to applicable PRC laws and regulations, finance companies within enterprises group are only permitted to provide financial services to enterprises within the group or companies of which more than 20% of the shares are held by the parent company. Therefore, CNNCFC may only provide financial services to members units of the CNNC group (including us). As a non-bank financial institution, CNNCFC is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, collateral ratio, long-term investment ratio and deposit reserve thresholds.

As of the Latest Practicable Date, the business scope of CNNCFC includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services to members of the CNNC group; (ii) assisting members of the CNNC group in collection and payment of transaction funds; (iii) providing guarantees to members of the group; (iv) providing entrusted loan and entrusted investment services to members of the CNNC group; (v) providing bill acceptance and discount services to members of the CNNC group; (vi) processing the settlement of internal fund transfers among members of the CNNC group and providing solution plans for relevant settlement and clearing; (vii) taking deposits from members of the CNNC group; (viii) providing loan and finance leases to members of the CNNC group; (ix) conducting inter-borrowings among finance companies; (x) issuing corporate bonds; (xi) underwriting the corporate bonds issued by members of the CNNC group; (xii) equity investments in financial institutions; and (xiii) investments in negotiable securities.

**CNNC Financial Leasing Company**

CNNC Financial Leasing Company was established in Pilot Free Trade Zone (Shanghai) on December 22, 2015. It is a sino-foreign leasing company, jointly established by CNNC and other 10 companies, including CNNC Shenzhen Xie He Kong Co. Ltd. (Hong Kong), with registered capital of RMB1 billion. As at the Latest Practicable Date, the business scope of CNNC Financial Leasing Company includes: (i) financial leasing; (ii) leasing; (iii) purchase of leased property from domestic and overseas sellers; (iv) treatment of residual value of, and maintenance of, leased property; (v) consultation and guarantee for leasing transactions; and (vi) factoring business associated with principal businesses.

**Internal Control and Corporate Governance Measures**

Based on the reasons set out above, we are of the opinion that the relevant pricing policies related to the Financial Services Framework Agreement are in the interests of the Shareholders as a whole. We have also adopted the following measures with respect to the transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the independent Shareholders:

*(1) Independent Shareholder approval*

Our Directors are of the view that the continuing transactions under the Financial Services Framework Agreement with CNNCFC are in the interests of our Company and the Shareholders as a whole.

Our independent Shareholders have the right to ensure that the terms of the Financial Services Framework Agreement (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. We therefore propose to submit the Financial Services Framework Agreement (together with the proposed annual caps) to independent Shareholders for approval by the end of 2018. Appropriate disclosure of the historical and ongoing transactions between us and CNNCFC which will continue under the Financial Services Framework Agreement has been made in this prospectus so as to enable potential investors to make informed decisions. If independent Shareholders' approval cannot be obtained by the end of 2018, we will not continue the transactions under the Financial Services Framework Agreement to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules. In such event, it is not expected that we will suffer any adverse legal consequences, subject to loss of interest.

*(2) Independent financial system*

We have established an independent finance department within the Company. We have adopted a sound and independent audit system and a comprehensive financial management system. We maintain accounts with external independent banks, and do not share any bank account with CNNCFC. CNNCFC cannot control the use of any of our bank accounts. We have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations.

*(3) Internal control measures and risk management measures*

- The Company's internal measures
  - We have formulated our rules and regulations, including the Financing Management Measures of China Isotope & Radiation Corporation and the Financial Management

System of China Isotope & Radiation Corporation, to safeguard against fund risks, strengthen our internal financial management, regulate financing activities, and meet the capital requirements of our development. We have set up an integrated management system on planning, budgeting and assessment. The Board and the general manager office of the Company are the responsible bodies in this respect. We adhere to the principle of financing at the Group level, and adopt the integrated management system for investment and financing. We adhere to the principles of proper scale and reasonable structure, and strike a balance between costs and risks.

- When providing entrusted loans to connected persons (whether through CNNCFC or otherwise), we will consider the interest rate, processing fees, term and use of loan and creditworthiness of the ultimate borrower, based on principles of reasonable return, cost control and risk control. The entrusted loan agreements (setting out interest rate, processing fees, term and use of loan) are first approved by the finance department of the Company and then submitted to the legal representative for signing and approval. In addition, the finance department of the Company will be responsible for closely monitoring such ongoing continuing connected transactions and will submit matters to the Board for consideration as appropriate.
- At the end of each quarter, we will request CNNCFC to provide sufficient information, including various financial indicators such as the status of our deposits and interest income, charges on entrusted loans and rental of financial leasing, as well as annual and interim financial statements, to enable us to understand and review the financial condition of CNNCFC. CNNCFC shall notify us, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If we consider that there is any material adverse change in the financial condition of CNNCFC, we will take appropriate measures (including early withdrawal of deposits, termination of entrusted loans and a moratorium on further deposits and entrusted loans) to protect our financial position.
- Our independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions under the Financial Services Framework Agreement. Only independent non-executive Directors may vote in respect of matters under the Financial Services Framework Agreement. If the majority of the independent non-executive Directors reasonably consider that it would be in our interests to reduce the level of deposits with CNNCFC or entrusted loans to CNNC, we will take appropriate steps to implement the decision of our independent non-executive Directors. Any material findings in the analysis reports, the views of our independent non-executive Directors on the deposits loans and entrusted loans under the Financial Services Framework Agreement (including their views on how the terms of the Financial Services Framework Agreement have been complied with) and their decisions on any matters in relation thereto will be disclosed in our annual and interim reports.
- During our annual audit, we will engage our auditors to review the connected transactions between us and CNNC and/or its associates to ensure that the transactions under the Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements.

- Each of CNNCFC and CNNC Financial Leasing Company will provide a monthly report per our request on the status of our deposits and interest income, charges on entrusted loans and rental of financial leasing so as to enable us to monitor and ensure that the relevant annual caps under the Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and interest income prevailing from time to time, we will notify CNNCFC that the exceeded funds will be transferred to our designated bank accounts with an independent commercial bank. Our financial head will also be notified at the same time once the maximum daily balance has been exceeded. We will, from time to time at our sole discretion, request for the deposits with CNNCFC and the entrusted loans through CNNCFC to CNNC and its subsidiaries to be withdrawn or early terminated (either in full or in part) to assess and ensure the liquidity and safety of its deposits and entrusted loans.
- In addition to the monthly report, we have implemented internal control measures to make sure the Company will monitor our Group's daily balances with CNNCFC in a timely manner. In particular, our Company's responsible financial person shall check the balances through relevant IT system on daily basis, and promptly report to our financial officer if such daily balances are close to, or likely to exceed the proposed caps.

- CNNCFC and CNNC Financial Leasing Company's measures
  - In addition to our internal monitoring, CNNCFC will also monitor the maximum daily balance of the deposits and interest income (in the case of CNNCFC only), the amount of interest income accrued on loans, and charges on entrusted loans, on a daily basis, to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. They will submit report to us on a monthly basis per our request to enable us to monitor such indicators.

**Waivers Granted by the Stock Exchange**

The Property & Equipment Leasing and Related Services Framework Agreement, Products and Services Supply Framework Agreement, Products and Services Purchase Framework Agreement, Exclusive Sales Agreement for Radioactive Sources, Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement, Consultation Service Fee Framework Agreement and Carbon-14 Raw Materials Supply Framework Agreement in the above section "Non-exempt Continuing Connected Transactions" constitute continuing connected transactions of the Group, and such transactions are subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules.

The Financial Services Framework Agreement in the above section "Non-exempt Continuing Connected Transactions" constitutes continuing connected transactions of the Group, and such transactions are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the non-exempt continuing connected transactions are expected to be carried out continuously, our Directors consider that strict compliance with the aforesaid announcement and/or independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.04 and Rule 14A.105 of the Listing Rules, waivers from strict compliance with announcement and/or independent Shareholders' approval requirements in respect of each of the non-exempted continuing connected transactions (as the case may be). We will comply with the applicable requirements of the Listing Rules if we exceed the proposed annual caps set out above or if there are significant changes in the terms of such transactions.

## CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into in our ordinary and usual course of business and on normal commercial terms or better which are fair and reasonable and in the interests of us and the Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interests of us and the Shareholders as a whole

In order to assist the Company's Independent Non-executive Directors to better discharge their duties in respect of connected transactions, the Company has established a consultancy committee comprised of external experts to advise and train the Independent Non-executive Directors regarding technical matters. For details, please refer to the paragraph headed "Directors, Supervisors and Senior Management — Additional Corporate Measures to assist Independent Non-executive Directors" of this prospectus.

## CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better which are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of the Group and the Shareholders as a whole.