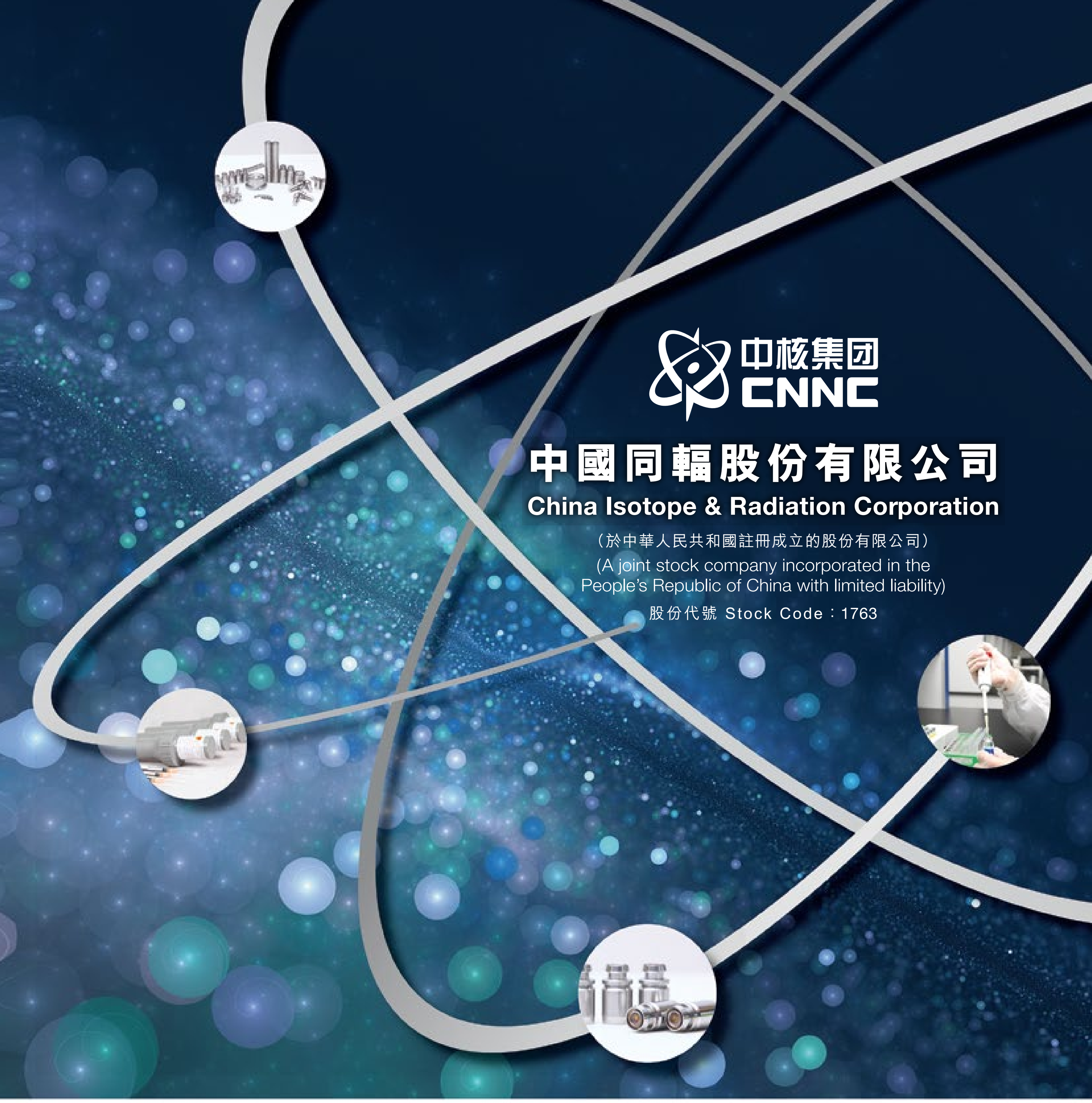

中核集团 CNNC

# 中國同輻股份有限公司
# China Isotope & Radiation Corporation

（於中華人民共和國註冊成立的股份有限公司）
(A joint stock company incorporated in the People's Republic of China with limited liability)

股份代號 Stock Code：1763

中期報告
Interim Report 2018

# CONTENT

# FINANCIAL HIGHLIGHTS

| (RMB'000) | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|---|---|
| Revenue | **1,366,180** | 1,125,603 |
| Gross profit | **966,874** | 754,952 |
| Profit from operating activities | **281,298** | 195,683 |
| Profit before taxation | **287,214** | 205,518 |
| Profit attributable to equity shareholders of the Company | **116,983** | 94,588 |
| Basic/diluted earnings per share (RMB) | **0.49** | 0.42 |
| Profitability | | |
| Gross profit margin | **70.8%** | 67.1% |
| Operating profit margin | **20.6%** | 17.4% |
| Net profit margin | **17.0%** | 15.7% |

| | At 30 June 2018 | At 31 December 2017 |
|---|---|---|
| Total assets | **4,909,782** | 4,696,794 |
| Total liabilities | **2,319,734** | 2,250,460 |
| Net assets | **2,590,048** | 2,446,334 |

# GROUP PROFILE

As a leader in the isotopes and irradiation technology application industry in the PRC, China Isotope & Radiation tapped into the field of isotopes and irradiation technologies since it was established in 1983, and tilled the nuclear technology application industry for over 30 years. As the nuclear technology application platform of CNNC, the unique industrial structure and business mode of China Isotope & Radiation are rarely seen in comparable companies. With full coverage on the whole nuclear technology application industry, and given its high entry qualification and complex technological barriers, China Isotope & Radiation has huge space for business expansion other than its existing business.

China Isotope & Radiation focuses on research and development, manufacturing, and sales of pharmaceuticals, and is also engaged in the businesses of radioactive source products, irradiation, and independent clinical laboratory services. The Company derives 80% of its revenue and 90% of its gross profit from the pharmaceuticals segment in the nuclear medicine industry. As an absolute leader in the nuclear medicine industry in the PRC, which is featured with huge potential, high entry barriers and high profitability, China Isotope & Radiation is the largest manufacturer of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers, and RIA kits in the PRC. China Isotope & Radiation has high market presence with the market share of its major products exceeding 70% in terms of the revenue in 2017. China Isotope & Radiation is the largest radioactive source products manufacturer with the most comprehensive product portfolio in the PRC, and is the only radioactive source product manufacturer in the PRC with manufacturing capability to produce a number of products, such as cobalt-60 sealed source for irradiation service and cobalt-60 sealed source for medical applications. In terms of irradiation service, China Isotope & Radiation is the third largest provider for irradiation service, and is the only company which provides the services of the upstream production as well as the downstream design and installation of irradiation facilities. Two subsidiaries of China Isotope & Radiation are among the three qualified EPC service providers approved by the MEP to engage in the design, manufacturing and installation of irradiation facilities in China.

As the isotopes and irradiation technology application industry platform of CNNC, China Isotope & Radiation achieved the domestication of radioisotope raw materials production and research and development of irradiation products by leveraging on the availability of CNNC's nuclear reactors, cyclotrons and resources on professional and technical staff. Further, China Isotope & Radiation will grasp the opportunities arising from "One Belt, One Road" strategy by capitalizing on the platform of CNNC, and will provide more products and services to countries and regions along the "One Belt and One Road".

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company 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 sterilization purpose and EPC service for the design, manufacturing and installation of gamma ray irradiation facilities and the provision of independent clinical laboratory services to hospitals and other medical institutions.

## BUSINESS REVIEW

In the first half of 2018, we operated our four business segments, namely pharmaceuticals, radioactive source products, irradiation and independent clinical laboratory services and other businesses. Driven by rising health awareness among residents, increasing longevity per capita, aging population and favorable government policies, the development of the isotope and irradiation industry in China has a promising prospect for development. In the first half of 2018, the Group captured the development trend, carefully organized scientific research and production, practically carried out engineering construction and fully promoted industrial layout and market expansion, achieving revenue from the principal business of RMB1,366.2 million, representing a year-on-year increase of 21.4%. In the first half of 2018, our net profit was RMB231.8 million, representing a year-on-year increase of 31.5%, and net profit attributable to equity shareholders of the Company was RMB117.0 million, representing a year-on-year increase of 23.7%.

### Pharmaceuticals

We are the leading manufacturer of diagnostic and therapeutic radiopharmaceuticals in China, and are 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 immunoassay diagnostic reagents and kits in China. In the first half of 2018, the Group practically carried out various production and operation activities, actively adjusted its marketing strategies, maximized its efforts in the market development, continued to enrich the product chains and improved the industrial layout. Revenue from the pharmaceuticals business was RMB1,144.6 million, representing a year-on-year increase of 17.5%.

### Radioactive source products

We are the leading manufacturer of medical and industrial radioactive sources products in China, and are 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. In the first half of 2018, we overcame difficulties and solved many problems such as qualifications and transportation of the cobalt source export, and successfully achieved the first large-scale export of 1-million-Ci cobalt-60 radioactive sources in early 2018. In the first half of 2018, the Group actively explored the market and sought new users, while some industrial radioactive source production lines resumed production, which promoted a significant increase in sales revenue of radioactive source products. Revenue from radioactive source products was RMB162.5 million, representing a year-on-year increase of 59.1%.

### Irradiation

We are primarily engaged in providing irradiation service to manufacturers of medical devices, food, traditional Chinese medicine and cosmetics for sterilization in China, and providing EPC services for the design, manufacturing and installation of gamma ray irradiation facilities to irradiation service providers by leveraging our leading irradiator design capability in China. In the first half of 2018, the competition in the irradiation market was fierce and the EPC service of irradiation facilities reduced. Some of the new irradiation industries that actively sought for business expansion had made great progress but had not yet generated income. The overall revenue from the irradiation business was RMB25.9 million, representing a year-on-year decrease of 3.2%. In the second half of 2018, we will increase efforts in users tracking and follow-up, keep abreast of market situation and users' needs in a timely manner, strive to improve service quality, further strengthen the expansion of new irradiation industries and seek to achieve the recovery of growth in revenue from irradiation business in the second half of the year.

### Independent clinical laboratory services and other businesses

As a downstream extension of our in vitro immunoassay diagnostic reagents and kits sales, we provide independent clinical laboratory services to hospitals and other medical institutions in China. We offer independent clinical laboratory services with respect to hepatitis, endocrine, bone metabolism, cardiovascular disease, diabetes and other diseases. In the first half of 2018, a subsidiary of the Group, which is engaged in independent clinical laboratory services, successfully completed the relocation and expansion of its headquarters, and added more than 20 new testing items, which improved service capabilities and competitiveness. The Company is also accelerating the chain operation of independent clinical laboratories nationwide, and has made significant progress in laboratory centers in Chengdu, Wuhan and Changsha. In the first half of 2018, revenue from independent clinical laboratory services and other businesses was RMB33.2 million, representing a year-on-year increase of 49.2%, of which revenue from independent clinical laboratory services increased by 36.9% on a year-on-year basis.

The table below sets forth our revenue by business segment in the first half of 2018 and 2017:

| (RMB in million, except in percentage) | Six months ended 30 June 2018 Amount | % | Six months ended 30 June 2017 Amount | % |
|---|---|---|---|---|
| Pharmaceuticals | **1,144.6** | **83.8** | 974.4 | 86.6 |
| Radioactive source products | **162.5** | **11.9** | 102.1 | 9.1 |
| Irradiation | **25.9** | **1.9** | 26.8 | 2.4 |
| Independent clinical laboratory services and other businesses | **33.2** | **2.4** | 22.3 | 2.0 |
| Total | **1,366.2** | | 1,125.6 | |

We have established a nationwide sales network of our products and services in China. As of 30 June 2018, our sales network, comprising our own sales force, promoters and distributors, covered 31 provinces, municipalities and autonomous regions in China. In addition, we have an extensive end-user base. As of 30 June 2018, our sales network covered more than 10,000 hospitals and other medical institutions, including over 1,400 Class III hospitals, 4,500 Class II hospitals and 4,300 Class I hospitals in China.

Our research and development activities focus on developing new products, enhancing the safety and efficacy of our existing products and refining production techniques. We carefully select our research and development programs based on market analysis and our industry expertise, with a focus on providing pharmaceuticals to address the unmet medical needs across various therapeutic areas in the PRC. Currently, we are in the process of research and development of various imaging diagnostic and radiopharmaceuticals. As of 30 June 2018, we had nine imaging diagnostic and therapeutic radiopharmaceuticals under research and development, of which one radiopharmaceutical is ready for production pending approval (i.e. sodium iodine-131 capsule for therapeutic purpose), one radiopharmaceutical at stage of clinical trials (i.e. iodine-131-MIBG injection), three imaging diagnostic and therapeutic radiopharmaceuticals (i.e. sodium fluorine-18 injection, palladium-103 sealed source, and technetium-99 methylene diphosphonate injection) pending application for clinical trials and four imaging diagnostic and therapeutic radiopharmaceuticals under various stages of research and development.

Our production facilities are located in various regions of China, including Beijing, Chengdu, Shanghai, Hangzhou, Tianjin, Chongqing, Zhengzhou, Guangzhou, Shenzhen, Tongcheng and Qinshan. As of 30 June 2018, we had eight, two and one production facilities for imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers and in vitro immunoassay diagnostic reagents and kits, respectively, and we had three production facilities for radioactive source products. The following table shows production capacity, actual production volume and utilization rate during the Reporting Period:

**Imaging diagnostic and therapeutic radiopharmaceuticals:**

| | Six months ended 30 June 2018 | | |
|---|---|---|---|
| | Annual Designed Capacity | Actual Production Volume | Utilization Rate |
| Fluorine-18-FDG injection (Ci) | 11,600 | 2,189 | 19% |
| Molybdenum-99/technetium-99m generator (Ci) | 28,000 | 5,918 | 21% |
| Technetium-99m labeled injections (vial) | 567,000 | 196,951 | 35% |
| Sodium iodine-131 oral solution (Ci) | 17,000 | 6,600 | 39% |
| Iodine-125 sealed source (unit) | 350,000 | 196,683 | 56% |
| Strontium-89 chloride injection (vial) | 35,000 | 3,970 | 11% |

**UBT kits and analyzers:**

| | Six months ended 30 June 2018 Annual Designed Capacity | Actual Production Volume | Utilization Rate |
|---|---|---|---|
| Carbon-14/13 UBT kits (unit) | 23,000,000 | 16,137,902 | 70% |
| Carbon-14/13 UBT analyzers (unit) | 6,200 | 2,188 | 35% |

**In vitro immunoassay reagents and kits:**

| | Six months ended 30 June 2018 Annual Designed Capacity | Actual Production Volume | Utilization Rate |
|---|---|---|---|
| RIA kits (unit) | 200,000 | 52,717 | 26% |
| EIA reagents, CLIA reagents and TRFIA reagents (unit) | 100,000 | 25,300 | 25% |
| Colloidal gold reagents (unit) | 100,000 | 103 | 0% |

**Radioactive source products:**

| | Six months ended 30 June 2018 Annual Designed Capacity | Actual Production Volume | Utilization Rate |
|---|---|---|---|
| Cobalt-60 source for gamma knife (Ci) | 2,300,000 | 53,896 | 2% |
| Iridium-192 brachytherapy source (Ci) | 10,000 | 1,780 | 18% |
| Cobalt-60 source for irradiation service (Ci) | 14,000,000 | 3,500,000 | 25% |
| Californium-252 startup neutron source (Ci) | — | — | — |
| Iridium-192 non-destructive testing radioactive source (Ci) | 1,000,000 | 70,455 | 7% |
| Caesium-133 radioactive source (Ci) | 700 | 24 | 3% |
| Americium-241/Beryllium neutron source (Ci) | 1,000 | 0.29 | 0% |

## FUTURE DEVELOPMENT

We are the isotopes and irradiation technology application industry platform of CNNC and a leading enterprise in the field of isotopes and irradiation technology applications in China and are well positioned to capture the attractive growth potential in the PRC isotopes and irradiation technology industry. We grow steadily thanks to our comprehensive product portfolio with industry-leading technologies, nationwide sales network and diversified marketing initiatives, strong research and development capabilities and experienced and visionary senior management team.

In the second half of 2018, we will continue to promote diversified marketing and promotional activities and increase effort in academic promotion through regularly organizing and participating in various academic conferences, forums and seminars. We will cultivate our nuclear medicine physicians and other medical professionals for our products and services and improve our academic recognition and brand awareness in the nuclear medicine community in China. We will provide customers with intimate, in-depth and personalized services, and improve customer stickiness and increase their exit costs, so as to increase the sales volume of the Group's products. In the second half of 2018, we will also continue to deepen the performance-oriented appraisal system, establish scientific and effective incentive mechanisms, increase investment in scientific research and accelerate capacity construction, strengthen the construction of specialty talents team in capital operation, accelerate the promotion of strategic acquisitions and accelerate the construction of independent clinical laboratory branches, as well as fully utilize the proceeds raised from the Listing to support the development of the Company.

In the future, we plan to expand product portfolio through investments in the research and development projects, and increase market penetration by expanding our manufacturing capacity and strengthening our sales and marketing efforts. Besides, we will complement our organic growth through strategic acquisitions, and expand and leverage our independent clinical laboratory service capacities to enrich our service offerings.

In terms of capacity expansion, we are implementing our plans to establish new manufacturing facilities to increase our production capacities for our imaging diagnostic and therapeutic radiopharmaceuticals and UBT products. We plan to build two new and modern manufacturing and research and development bases for our imaging diagnostic and therapeutic radiopharmaceuticals in Hebei province and Sichuan province to expand our manufacturing capabilities of imaging diagnostic and therapeutic radiopharmaceuticals and meet the operation requirements for standardized and large-scale production. Meanwhile, in order to timely meet the increasing demand for short half-life radiopharmaceuticals in the population centers in China, we intend to establish a total of 26 manufacturing and distribution subsidiaries to produce and sell technetium-99m labeled injections and fluorine-18-FDG injections by 2023. We are also in the process of establishing our two new UBT product manufacturing bases to meet the increasing market demand for our UBT kits and analyzers.

2018 is a crucial year for the Group to implement the "13th Five-Year Plan". Guided by the strategy of "growing larger, stronger and better", we unite together to forge ahead and proactively respond to the complex and changing external environment. Focusing on the "13th Five-Year Plan" and the annual target, we will steadily and orderly push forward all of our work throughout the year in the aspects of strategic optimization, business development, reform and development, project construction, technological innovation, capital operation, market expansion, standardized management and safety and quality, strive to promote the implementation of the Group's annual goals, continue to maintain its leading position in the industry and endeavor to become the world's leading nuclear technology application products and services provider.

## FINANCIAL REVIEW

### Revenue

We derived our revenue mainly from the following four major business segments: (1) pharmaceuticals; (2) radioactive source products; (3) irradiation; and (4) independent clinical laboratory services and other businesses.

Our revenue increased by 21.4% from RMB1,125.6 million for the six months ended 30 June 2017 to RMB1,366.2 million during the Reporting Period, which was mainly due to an increase in revenue from our pharmaceuticals segment, radioactive source products segment and independent clinical laboratory services and other businesses.

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

Our cost of sales increased by 7.7% from RMB370.7 million for the six months ended 30 June 2017 to RMB399.3 million during the Reporting Period, which was mainly due to an increase in cost of sales of our radioactive source products segment and independent clinical laboratory services and other businesses.

Our gross profit increased by 28.1% from RMB755.0 million for the six months ended 30 June 2017 to RMB966.9 million during the Reporting Period and our gross margin increased from 67.1% to 70.8%. The increase in gross margin was primarily due to higher gross margin of our pharmaceuticals segment.

### Other Income

Our other income decreased by 21.1% from RMB13.8 million for the first half of 2017 to RMB10.9 million for the first half of 2018, primarily due to a decrease in government grants received during the Reporting Period compared to the same period of last year, which mainly related to our imaging diagnostic and therapeutic radiopharmaceuticals and irradiation businesses.

### Selling and Distribution Expenses

Our selling and distribution expenses increased by 22.6% from RMB441.1 million for the first half of 2017 to RMB540.7 million for the first half of 2018, which was primarily due to an increase in sales service fee resulting from the expansion of operational scale of our radiopharmaceuticals products.

As a percentage of revenue, selling and distribution expenses increased slightly from 39.2% for the first half of 2017 to 39.6% for the first half of 2018.

### Administrative Expenses

Our administrative expenses increased by 18.1% from RMB132.0 million for the first half of 2017 to RMB155.8 million for the first half of 2018, mainly due to (i) the increased staff costs resulting from our expanded operational scale, and (ii) an increase in brokerage fee paid to brokers engaged for the listing of the Company.

As a percentage of revenue, administrative expenses decreased slightly from 11.7% for the first half of 2017 to 11.4% for the first half of 2018.

### Finance Costs

Our finance costs decreased by 41.3% from RMB4.8 million for the first half of 2017 to RMB2.8 million for the first half of 2018, which was mainly attributable to our decreased interest incurred for loans as we repaid our short-term borrowings in the first half of 2017.

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

Our share of profits less losses of associates decreased by 160.3% from RMB3.9 million for the first half of 2017 to -RMB2.3 million for the first half of 2018, mainly due to the losses derived from our associate, Shenzhen CICAM. Our share of profits of a joint venture increased by 3.0% from RMB10.8 million for the first half of 2017 to RMB11.1 million for the first half of 2018, mainly due to an increase in profits from our joint venture, Shanghai GMS Pharmaceutical.

### Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 39.8% from RMB205.5 million for the first half of 2017 to RMB287.2 million for the first half of 2018.

### Income Tax

Our income tax increased by 89.8% from RMB29.2 million for the first half of 2017 to RMB55.4 million for the first half of 2018, mainly due to (i) our increased taxable income, and (ii) an increase in our current income taxes as a result of the consolidation and final settlement of our annual enterprise income tax.

Our effective tax rate was 14.2% and 19.3% in the first half of 2017 and 2018, respectively.

### Profit for the Period

As a result of the foregoing, our profit for the period increased by 31.5% from RMB176.3 million for the first half of 2017 to RMB231.8 million for the first half of 2018.

## FINANCIAL POSITION

### Overview

During the six months ended 30 June 2018, the total assets of the Group increased significantly with total assets of RMB4,909.8 million, total liabilities of RMB2,319.7 million and total equity of RMB2,590.1 million.

## Net Current Assets

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

*RMB in million*

| | At 30 June 2018 | At 31 December 2017 |
|---|---|---|
| **Trading securities** | **0.1** | 0.1 |
| Inventories | **313.3** | 263.0 |
| Trade and bill receivables | **1,661.1** | 1,507.2 |
| Prepayments, deposits and other receivables | **455.1** | 210.7 |
| Income tax recoverable | **0.0** | 0.1 |
| Cash at bank and on hand | **1,076.6** | 1,478.8 |
| **Total Current Assets** | **3,506.2** | 3,459.9 |
| **Trade payables** | **213.4** | 198.0 |
| Accruals and other payables | **1,658.5** | 1,606.5 |
| Gross amounts due to customers for contract work | **1.8** | 1.8 |
| Provisions | **65.9** | 64.6 |
| Income tax payable | **32.2** | 45.3 |
| **Total Current Liabilities** | **1,971.8** | 1,916.2 |
| **Net Current Assets** | **1,534.4** | 1,543.7 |

Our net current assets decreased by 0.6% from RMB1,543.7 million as at 31 December 2017 to RMB1,534.4 million as at 30 June 2018, which was basically in line with that at the end of last year.

## Gearing Ratio and Quick Ratio

Our gearing ratio (total interest-bearing debts divided by total equity) was 6.1% as of 31 December 2017 and 30 June 2018.

Our quick ratio was 1.7 times and 1.6 times as of 31 December 2017 and 30 June 2018 respectively.

## Analysis of Cash Flows

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

| | | *RMB in million* |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2018** | 2017 |
| Net cash from operating activities | **106.3** | 20.7 |
| Net cash from investing activities | **(270.0)** | (135.4) |
| Net cash from/(used in) financing activities | **(57.9)** | 441.6 |
| Net increase/(decrease) in cash and cash equivalents | **(221.6)** | 326.9 |
| Cash and cash equivalents at the beginning of the year/period | **1,139.2** | 918.6 |
| Effect of changes in foreign exchange rate | **0.1** | 0.0 |
| Cash and cash equivalents at the end of the year/period | **917.7** | 1,245.5 |

## Trade and Other Receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans provided to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts. As of 30 June 2018, our trade and other receivables (net of allowance for doubtful debts of RMB131.6 million) were RMB2,116.2 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 promoters, payables to distributors and promoters, payables for staff-related costs, dividends payables and other accruals and payables. As of 30 June 2018, our trade and other payables were RMB1,871.9 million.

## Bank Loans

As at 30 June 2018, a subsidiary of the Group borrowed a five-year loan which carried interest at a rate of 5.0% above the PBOC five-year benchmark lending rate per annum. As of 30 June 2018, our bank loans were RMB150.0 million, which was in line with that at the end of last year.

## Capital Expenditures

Our capital expenditures mainly comprise additions to prepaid lease payments, investment properties, property, plant and equipment and intangible assets. In the first half of 2018, our capital expenditures were RMB185.9 million.

## Contingent Liabilities

As of 30 June 2018, we did not have any material contingent liabilities.

## Pledge of Assets by the Group

On 30 June 2018, a subsidiary of the Group borrowed a five-year loan which carried interest at a rate of 5.0% above the PBOC five-year benchmark lending rate per annum and was jointly guaranteed by the shareholders of the subsidiary, and certain of the Group's land lease prepayments with a carrying amount of RMB26.8 million, and time deposits with original maturity over three months of RMB18.0 million as at 31 December 2017 were pledged as security for such bank loan.

### Foreign Exchange and Foreign Exchange Risk

During the six months ended 30 June 2018, the Group was not exposed to any material foreign exchange risk. The Group currently has no foreign exchange hedging policy.

### Credit Risk

In order to minimize 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 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 to ensure that we maintain sufficient reserves of cash and adequate commitment funds from major financial institutions to meet both short 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

While the Board intends to recommend the declaration of cash dividends to Shareholders in a general meeting, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on, among other things:

- our results of operations and cashflow;
- 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.

The Board will propose dividends, if any, in Renminbi with respect to the Shares on a per Share basis for Shareholders' approval. We will pay such dividends in Renminbi. According to the Articles of Association, all of our Shareholders are equally entitled to dividends and distributions. Holders of the Shares will be proportionately entitled to all dividends and other distributions declared on a per Share basis.

### 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 30 June 2018.

### EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Prospectus. On 27 April 2018, the Group entered into a share purchase agreement (the "**SPA**") with Beijing Liuhe Zhongxin Culture Development Co., Limited ("**Beijing Liuhe**"). Pursuant to the SPA, the Group agreed to purchase 100% of the equity interest in Beijing Sanjin Electronic Corporation Limited from Beijing Liuhe at the consideration of RMB211.5 million. The acquisition was completed on 19 July 2018.

### LISTING EXPENSES

The total listing expenses (as expensed) incurred were RMB7.7 million for the six months ended 30 June 2018.

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 6 July 2018, H Shares of the Company were listed on the Main Board of the Stock Exchange (stock code: 1763). Based on the offer price of HK$21.60 per H Share and upon the partial exercise of the over-allotment option (as defined in the Prospectus), the net proceeds that the Group received from the global offering were approximately HK$1,690.0 million after deduction of the underwriting commissions and other related expenses.

The Group intends to use such net proceeds from the global offering as follows:

- approximately HK$706.7 million is expected to be used for investment in the two imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases in Xianghe, Hebei province and Chengdu, Sichuan province to enhance our manufacturing and research and development capabilities;

- approximately HK$79.7 million is expected to be used for establishment of four manufacturing and distribution subsidiaries to primarily produce and distribute technetium-99m-labeled injections and fluorine-18-FDG injections in China;

- approximately HK$100.0 million is expected to be used for establishment of new production facilities in Shenzhen, Guangdong province and Tongcheng, Anhui province to expand our manufacturing capacity of UBT kits and analyzers;

- approximately HK$300.0 million is expected to be used for investment in the research and development of various imaging diagnostic and therapeutic radiopharmaceuticals, raw materials of radioactive source products, medical radioisotopes, and UBT products and related raw materials;

- approximately HK$339.0 million is expected to be used for selective acquisitions;
- approximately HK$169.5 million is expected to be used for working capital and general corporate purposes.

## EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 1,961 employees as at 30 June 2018 and a total of 1,888 employees as at 31 December 2017. During the six months ended 30 June 2018, our staff costs (including directors' remuneration but excluding contributions to any pension plan) were approximately RMB140.6 million. The remuneration policy of the Group is to motivate and retain excellent staff so as to realize the long-term enterprise goals and objectives. The employee remuneration policy of the Group is determined after taking into account the overall salary level, employees' performance and other factors. The management regularly reviews the employ remuneration policy and arrangement of the Group.

We provide our employees with salaries and bonuses, as well as employee benefits, including employee retirement 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 employees to equip them with the necessary skills to perform their jobs competently and to give them the opportunities to realize 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 realize the importance of developing individual career paths that will help people develop their full potential. Development opportunities are provided as a result of on-the-job experience and formal training programs.

## HEDGING ACTIVITIES

During the six months ended 30 June 2018, 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 Listing Rules (where appropriate).

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

Beijing, the PRC, 29 August 2018

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the Reporting Period, H Shares of the Company had not been listed on the Stock Exchange.

From the Listing Date to the date of this report, 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. 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 meetings, the Board, the Supervisory Committee and senior management of the Company. The Company has also adopted the Corporate Governance Code as the corporate governance practice of the Company.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code as its own code of conduct regarding securities transaction by all Directors, Supervisors and the relevant employees of the Company.

Having made specific enquiries to the Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the required standards as set out in the Model Code from the Listing Date to the date of this report. The Company was also not aware of any incidents of non-compliance with the Model Code by the relevant employees.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or related financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, including Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai.

## 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. Meng Yan and Mr. Zhou Liulai, whose 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 unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2018.

On 29 August 2018, the Audit and Risk Management Committee reviewed and confirmed the interim results announcement of the Group for the six months ended 30 June 2018, the 2018 interim report and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 prepared in accordance with the IAS 34 *Interim Financial Report*.

## SHARE CAPITAL

As at 30 June 2018, the share capital of the Company was RMB239.91 million, divided into 239,906,100 Domestic Shares of RMB1.00 each. On 6 July 2018, the Company issued 79,968,700 H Shares with par value of RMB1.00 per share at a price of HK$21.6 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 HK$21.6 each. After the issuance and allotment of these H Shares, the registered and issued ordinary Shares of the Company increased to 319,874,900 Shares.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

During the Reporting Period, since H Shares of the Company were not listed on the Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO and the Model Code in the Listing Rules, were not applicable to the Company and the Directors, Supervisors and chief executive of the Company.

H Shares of the Company were listed on the Stock Exchange on 6 July 2018. As of the date of this report, none of the Directors, Supervisors and chief executive of the Company had interests and short positions (a) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

During the Reporting Period, as H Shares of the Company were not listed on the Stock Exchange, the relevant regulations relating to interest or short position in the Shares and underlying Shares of the Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register pursuant to Section 336 of SFO, were not applicable to the Company.

On 6 July 2018, H Shares of the Company were listed on the Stock Exchange. To the best knowledge of the Company, as of the date of this report, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our share capital:

| Shareholder | Class of Shares | Nature of interest | Number of Shares held[5] | Approximate percentage of shareholding in the relevant class of Shares (%) | Approximate percentage of shareholding in the total share capital of our Company (%) |
|---|---|---|---|---|---|
| CNNC[1] | Domestic Shares | Beneficial owner/Interest of controlled corporation | 236,150,233 (L) | 98.43 | 73.83 |
| CIAE | Domestic Shares | Beneficial owner | 58,534,835(L) | 24.40 | 18.30 |
| NPIC | Domestic Shares | Beneficial owner | 46,994,835(L) | 19.59 | 14.69 |
| CNNC Fund | Domestic Shares | Beneficial owner | 18,779,342(L) | 7.83 | 5.87 |
| Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**")[2] | H Shares | Interest of controlled corporation | 19,912,400(L) | 24.90 | 6.23 |
| Shanghai Industrial Investment Treasury Company Limited[2] | H Shares | Interest of controlled corporation | 11,906,400(L) | 14.89 | 3.72 |
| Shanghai Investment Holdings Limited[2] | H Shares | Interest of controlled corporation | 11,906,400(L) | 14.89 | 3.72 |
| Shanghai Industrial Holdings Limited ("**SIHL**")[2] | H Shares | Interest of controlled corporation | 11,906,400(L) | 14.89 | 3.72 |
| S.I. Infrastructure (Holdings) Limited[2] | H Shares | Interest of controlled corporation | 11,906,400(L) | 14.89 | 3.72 |
| Sure Advance Holdings Limited ("**Sure Advance**") | H Shares | Beneficial owner | 11,906,400(L) | 14.89 | 3.72 |
| Shanghai Shangshi (Group) Co., Ltd. ("**Shanghai Shangshi**")[2] | H Shares | Interest of controlled corporation | 8,006,000(L) | 10.01 | 2.50 |
| Shanghai Pharmaceuticals Holding Co. Ltd ("**SPH**")[2] | H Shares | Interest of controlled corporation | 8,006,000(L) | 10.01 | 2.50 |
| Shanghai Pharmaceuticals (HK) Investment Limited ("**SPH HK**") | H Shares | Beneficial owner | 8,006,000(L) | 10.01 | 2.50 |

| Shareholder | Class of Shares | Nature of interest | Number of Shares held[5] | Approximate percentage of shareholding in the relevant class of Shares (%) | Approximate percentage of shareholding in the total share capital of our Company (%) |
|---|---|---|---|---|---|
| Beijing State-owned Assets Management Co., Ltd.[3] | H Shares | Interest of controlled corporation | 10,899,000(L) | 13.63 | 3.41 |
| Beijing Industrial Developing Investment Management Co., Ltd. | H Shares | Beneficial owner | 10,899,000(L) | 13.63 | 3.41 |
| China Structural Reform Fund Corporation Limited | H Shares | Beneficial owner | 8,155,000(L) | 10.20 | 2.55 |
| Serenity Capital Management, Ltd.[4] | H Shares | Investment manager | 4,030,400(L) | 5.04 | 1.26 |
| Serenity Investment Master Fund Limited | H Shares | Beneficial owner | 4,030,400(L) | 5.04 | 1.26 |

Notes:

(1) CNNC directly holds 106,676,903 Domestic Shares of the Company, representing approximately 44.47% of the domestic share capital of our Company. Each of CIAE and NPIC is a public institute controlled and managed by CNNC and holds 58,534,835 and 46,994,835 Domestic Shares, representing approximately 24.40% and 19.59% of the domestic share capital of our Company, respectively. CNNC Fund is a non-wholly-owned subsidiary of CNNC and holds 18,779,342 Domestic Shares, representing approximately 7.83% of the domestic share capital of our Company. Each of CNNC 404 Company Limited ("**404 Company**") and Baoyuan Investment Co., Ltd ("**Baoyuan Investment**") is a wholly-owned subsidiary of CNNC and holds 3,755,868 Domestic Shares and 1,408,450 Domestic Shares, respectively, representing approximately 1.57% and 0.59% of the domestic share capital of our Company, respectively. CNNC is deemed to be interested in the Domestic Shares held by CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment under the SFO, together with its beneficially-owned interests which in aggregate representing approximately 98.43% of the domestic share capital of our Company.

(2) By virtue of the SFO, SIIC is deemed to be interested in the 19,912,400 H Shares in total, of which 11,906,400 H Shares and 8,006,000 H Shares are held by Sure Advance and SPH HK, each being a controlled corporation of SIIC. As at the date of this report, SIIC holds 100% equity interest in Shanghai Industrial Investment Treasury Company Limited, while Shanghai Industrial Investment Treasury Company Limited directly held 100% equity interest in Shanghai Investment Holdings Limited, which in turn holds approximately 55.13% equity interest in SIHL. SIHL directly holds 100% equity interest in S.I. Infrastructure (Holdings) Limited, which directly held 100% equity interest in Sure Advance. In addition, SIIC directly holds 100% equity interest in Shanghai Shangshi, which directly held 33.60% equity interest in SPH, while SPH directly holds 100% equity interest in SPH HK.

(3) Beijing Industrial Developing Investment Management Co., Ltd. is a direct wholly-owned subsidiary of Beijing State-owned Assets Management Co., Ltd.. By virtue of the SFO, Beijing State-owned Assets Management Co., Ltd. is deemed to be interested in the 10,899,000 H Shares held by Beijing Industrial Developing Investment Management Co., Ltd..

(4) 100% equity interest of Serenity Investment Master Fund Limited is held by Serenity Capital Management, Ltd.. By virtue of the SFO, Serenity Capital Management, Ltd. is deemed to be interested in the 4,030,400 H Shares held by Serenity Investment Master Fund Limited.

(5) (L) represented long position.

Save as disclosed herein, as of the date of this report, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who has an interest or short position, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

H Shares of the Company were listed on the Main Board of the Stock Exchange on 6 July 2018. The over-allotment option was partially exercised on 27 July 2018 and the related H Shares were listed on the Main Board of the Stock Exchange on 3 August 2018.

Except as disclosed above, during the period from the Listing Date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.1500 per Share (inclusive of tax) for the six months ended 30 June 2018 (the "**2018 Interim Dividend**") to Shareholders whose names appear on the register of members of the Company on 5 December 2018, with a total cash dividend distributed of RMB47.98 million. The 2018 Interim Dividend is expected to be paid in RMB to holders of Domestic Shares and in HK$ to holders of H Shares before 31 January 2019. Dividend payable in HK$ will be converted from RMB based on the average median price of the exchange rate for HK$ to RMB as quoted by the PBOC for the five business days preceding the date of the dividend payment (inclusive). The above interim dividend distribution proposal is subject to the review and approval by the Shareholders at an extraordinary general meeting to be held on 26 November 2018. The details for dividend distribution will be published upon convening of the extraordinary general meeting.

## CLOSURE OF REGISTER OF MEMBERS

An extraordinary general meeting will be convened by the Company on 26 November 2018. The register of members of the Company will be closed from Saturday, 27 October 2018 to Monday, 26 November 2018 (both dates inclusive) and from Friday, 30 November 2018 to Wednesday, 5 December 2018 (both dates inclusive), during which period no transfer of Shares will be registered.

Shareholders whose names appear on the register of members of the Company on 26 November 2018 will be entitled to attend and vote at the extraordinary general meeting. Shareholders whose names appear on the register of members of the Company on 5 December 2018 will be entitled to receive the 2018 Interim Dividend. In order to be qualified as Shareholders to attend and vote at the extraordinary general meeting, Shareholders 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 611, 6/F, Fuxingmenwai Street No. A2, Xicheng District, Beijing, China (for holders of Domestic

Shares) for registration no later than 4:30 p.m. on Friday, 26 October 2018. In order to be qualified as Shareholders to receive the 2018 Interim Dividend (subject to the approval by Shareholders at the extraordinary general meeting), 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 Thursday, 29 November 2018.

## CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

The changes in the information of Directors, Supervisors and chief executive of the Company which are required to be disclosed pursuant to Rules 13.51(B)(1) of the Listing Rules, after the date of the Prospectus, are as follows:

1. Mr. Wu Jian, being an executive Director, resigned as the deputy chairman of Beijing Clae-riar Rediosotope Technique Co., Ltd., on 22 June 2018.

2. Mr. Du Jin, being an executive Director, resigned as director of Shanghai GMS Pharmaceutical on 29 June 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Beijing, the PRC, 29 August 2018

# REVIEW REPORT

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA ISOTOPE & RADIATION CORPORATION**
(a joint stock company incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 56 which comprises the consolidated statement of financial position of China Isotope & Radiation Corporation as of 30 June 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 (Note) |
|---|---|---|---|
| Revenue | 4 | **1,366,180** | 1,125,603 |
| Cost of sales | | **(399,306)** | (370,651) |
| **Gross profit** | | **966,874** | 754,952 |
| Other income | 5 | **10,870** | 13,779 |
| Selling and distribution expenses | | **(540,660)** | (441,093) |
| Administrative expenses | | **(155,786)** | (131,955) |
| **Profit from operations** | | **281,298** | 195,683 |
| Finance costs | 6(a) | **(2,826)** | (4,811) |
| Share of profits less losses of associates | | **(2,341)** | 3,882 |
| Share of profits of a joint venture | | **11,083** | 10,764 |
| **Profit before taxation** | 6 | **287,214** | 205,518 |
| Income tax | 7 | **(55,416)** | (29,191) |
| **Profit for the period** | | **231,798** | 176,327 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **116,983** | 94,588 |
| Non-controlling interests | | **114,815** | 81,739 |
| **Profit for the period** | | **231,798** | 176,327 |
| **Earnings per share** | 8 | | |
| Basic and diluted (RMB) | | **0.49** | 0.42 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transaction methods chosen, comparative information is not restated. See Note 3.

The notes on page 31 to 56 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 (Note) |
|---|---|---|---|
| **Profit for the period** | | **231,798** | 176,327 |
| **Other comprehensive income for the period (after tax and reclassification adjustments):** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| — exchange differences on translation of share of profits less losses of an associate | | **822** | (1,559) |
| Items that will not be reclassified to profit or loss: | | | |
| — remeasurement of defined benefit liability | | **(3,045)** | (927) |
| — equity investments at fair value though other comprehensive income-net movement in fair value reserve (non-recycling) | | **(249)** | — |
| **Other comprehensive income for the period** | | **(2,472)** | (2,486) |
| **Total comprehensive income** | | **229,326** | 173,841 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **114,884** | 92,108 |
| Non-controlling interests | | **114,442** | 81,733 |
| **Total comprehensive income for the period** | | **229,326** | 173,841 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on page 31 to 56 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 (Note) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **890,957** | 765,845 |
| Investment properties | 9 | **15,121** | 15,592 |
| Lease prepayments | | **89,037** | 63,928 |
| Intangible assets | | **35,773** | 32,176 |
| Goodwill | | **5,670** | 5,670 |
| Interests in associates | | **76,785** | 81,425 |
| Interest in a joint venture | | **29,047** | 38,774 |
| Long-term receivables | | **31,454** | 30,702 |
| Unquoted equity investments | 3(b) | **68,499** | 47,251 |
| Deferred tax assets | | **161,241** | 155,489 |
| | | **1,403,584** | 1,236,852 |
| **Current assets** | | | |
| Trading securities | | **72** | 104 |
| Inventories | | **313,320** | 263,002 |
| Trade and bill receivables | 10 | **1,661,077** | 1,507,234 |
| Prepayments, deposits and other receivables | | **455,169** | 210,683 |
| Income tax recoverable | | **—** | 86 |
| Cash at bank and on hand | 11 | **1,076,560** | 1,478,833 |
| | | **3,506,198** | 3,459,942 |
| **Current liabilities** | | | |
| Trade payables | 12 | **213,363** | 198,016 |
| Accruals and other payables | | **1,658,516** | 1,606,489 |
| Gross amounts due to customers for contract work | | **1,789** | 1,816 |
| Provisions | | **65,862** | 64,614 |
| Income tax payable | | **32,235** | 45,304 |
| | | **1,971,765** | 1,916,239 |
| **Net current assets** | | **1,534,433** | 1,543,703 |
| **Total assets less current liabilities** | | **2,938,017** | 2,780,555 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on page 31 to 56 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 (Note) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | | **150,000** | 150,000 |
| Deferred income | | **33,833** | 37,890 |
| Defined benefit retirement obligation | | **43,693** | 40,511 |
| Deferred tax liabilities | | **3,561** | 9 |
| Provisions | | **108,250** | 105,811 |
| Long-term payables | | **8,632** | — |
| | | **347,969** | 334,221 |
| **Net assets** | | **2,590,048** | 2,446,334 |
| **Capital and reserves** | | | |
| Share capital | | **239,906** | 239,906 |
| Reserves | | **1,683,955** | 1,629,038 |
| **Total equity attributable to equity shareholders of the Company** | | **1,923,861** | 1,868,944 |
| **Non-controlling interests** | | **666,187** | 577,390 |
| **Total equity** | | **2,590,048** | 2,446,334 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on page 31 to 56 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Capital reserve RMB'000 | PRC statutory reserve RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2017** | | 200,000 | 49,222 | 54,860 | 11,235 | 5,268 | 606,937 | 927,522 | 545,936 | 1,473,458 |
| **Changes in equity for the six months ended 30 June 2017:** | | | | | | | | | | |
| Profit for the period | | – | – | – | – | – | 94,588 | 94,588 | 81,739 | 176,327 |
| Other comprehensive income | | – | – | – | – | (1,559) | (921) | (2,480) | (6) | (2,486) |
| Total comprehensive income | | – | – | – | – | (1,559) | 93,667 | 92,108 | 81,733 | 173,841 |
| Issue of ordinary shares | | 39,906 | 810,094 | – | – | – | – | 850,000 | – | 850,000 |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | – | – | – | – | – | 10,410 | 10,410 |
| Appropriation of maintenance and production funds | | – | – | – | 6,726 | – | (6,726) | – | – | – |
| Utilisation of maintenance and production funds | | – | – | – | (3,698) | – | 3,698 | – | – | – |
| Dividends | 13 | – | – | – | – | – | (175,161) | (175,161) | – | (175,161) |
| Distributions by subsidiaries to non-controlling equity owners | | – | – | – | – | – | – | – | (82,484) | (82,484) |
| **Balance at 30 June 2017** | | 239,906 | 859,316 | 54,860 | 14,263 | 3,709 | 522,415 | 1,694,469 | 555,595 | 2,250,064 |

The notes on page 31 to 56 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018 — unaudited

*(Expressed in RMB)*

| | | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Capital reserve RMB'000 | PRC statutory reserve RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 July 2017** | | 239,906 | 859,316 | 54,860 | 14,263 | 3,709 | 522,415 | 1,694,469 | 555,595 | 2,250,064 |
| **Changes in equity for the six months ended 31 December 2017:** | | | | | | | | | | |
| Profit for the period | | – | – | – | – | – | 176,866 | 176,866 | 122,445 | 299,311 |
| Other comprehensive income | | – | – | – | – | (3,371) | 980 | (2,391) | 61 | (2,330) |
| Total comprehensive income | | – | – | – | – | (3,371) | 177,846 | 174,475 | 122,506 | 296,981 |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | – | – | – | – | – | 13,220 | 13,220 |
| Appropriation of maintenance and production funds | | – | – | – | 9,967 | – | (9,967) | – | – | – |
| Utilisation of maintenance and production funds | | – | – | – | (10,274) | – | 10,274 | – | – | – |
| Appropriation to reserves | | – | – | 45,894 | – | – | (45,894) | – | – | – |
| Dividends | 13 | – | – | – | – | – | – | – | – | – |
| Distributions by subsidiaries to non-controlling equity owners | | – | – | – | – | – | – | – | (113,931) | (113,931) |
| **Balance at 31 December 2017 (Note)** | | 239,906 | 859,316 | 100,754 | 13,956 | 338 | 654,674 | 1,868,944 | 577,390 | 2,446,334 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on page 31 to 56 form part of this interim financial report.

| | | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Capital reserve RMB'000 | PRC statutory reserve RMB'000 | Fair value reserve (non-recycling) RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 31 December 2017** | | 239,906 | 859,316 | 100,754 | – | 13,956 | 338 | 654,674 | 1,868,944 | 577,390 | 2,446,334 |
| Impact on initial application of IFRS 9 (Note 3) | | – | – | – | 10,905 | – | – | (4,394) | 6,511 | (327) | 6,184 |
| **Adjusted balance at 1 January 2018** | | 239,906 | 859,316 | 100,754 | 10,905 | 13,956 | 338 | 650,280 | 1,875,455 | 577,063 | 2,452,518 |
| **Changes in equity for the six months ended 30 June 2018** | | | | | | | | | | | |
| Profit for the period | | – | – | – | – | – | – | 116,983 | 116,983 | 114,815 | 231,798 |
| Other comprehensive income | | – | – | – | (249) | – | 822 | (2,672) | (2,099) | (373) | (2,472) |
| Total comprehensive income | | – | – | – | (249) | – | 822 | 114,311 | 114,884 | 114,442 | 229,326 |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | – | – | – | – | – | – | 19,127 | 19,127 |
| Appropriation of maintenance and production funds | | – | – | – | – | 6,248 | – | (6,248) | – | – | – |
| Utilisation of maintenance and production funds | | – | – | – | – | (3,981) | – | 3,981 | – | – | – |
| Dividends | 13 | – | – | – | – | – | – | (66,478) | (66,478) | – | (66,478) |
| Distributions by subsidiaries to non-controlling equity owners | | – | – | – | – | – | – | – | – | (44,445) | (44,445) |
| **Balance at 30 June 2018** | | 239,906 | 859,316 | 100,754 | 10,656 | 16,223 | 1,160 | 695,846 | 1,923,861 | 666,187 | 2,590,048 |

The notes on page 31 to 56 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 — unaudited

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **177,492** | 73,576 |
| Income tax paid | | **(71,195)** | (52,883) |
| **Net cash generated from operating activities** | | **106,297** | 20,693 |
| **Investing activities** | | | |
| Net decrease/(increase) in deposits with banks | 11 | **180,156** | (57,340) |
| Payments for purchase of investment properties, property, plant and equipment, lease prepayments and intangible assets | | **(256,491)** | (97,115) |
| Prepayment for acquisition of a subsidiary | | **(200,000)** | — |
| Interests received | 5 | **4,989** | 5,805 |
| Other cash flows arising from investing activities | | **1,395** | 13,208 |
| **Net cash used in investing activities** | | **(269,951)** | (135,442) |
| **Financing activities** | | | |
| Issue of ordinary shares | | **—** | 850,000 |
| Capital contributions from non-controlling equity owners of subsidiaries | | **19,127** | 10,410 |
| Proceeds from borrowings | | **—** | 150,000 |
| Repayment of borrowings | | **—** | (480,000) |
| Interests paid | | **—** | (2,326) |
| Dividends paid of the Company to shareholders | | **(37,047)** | (39,401) |
| Dividends paid by subsidiaries to non-controlling equity owners | | **(39,979)** | (47,074) |
| **Net cash (used in)/generated from financing activities** | | **(57,899)** | 441,609 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(221,553)** | 326,860 |
| **Cash and cash equivalents at 1 January** | 11 | **1,139,156** | 918,590 |
| Effect of foreign exchanges rates changes | | **66** | (36) |
| **Cash and cash equivalents at 30 June** | 11 | **917,669** | 1,245,414 |

The notes on page 31 to 56 form part of this interim financial report.

## 1 Organisation

China Isotope & Radiation Corporation was established on 4 December 2007 in the People's Republic of China as a state-owned enterprise with limited liability. The Company was converted into a joint stock company with limited liability on 6 December 2011 (the "Conversion"). China National Nuclear Corporation ("CNNC"), China Institute of Atomic Energy ("CIAE") and Nuclear Power Institute of China ("NPIC") held 51.93%, 26.92% and 21.15% equity interests in the Company respectively immediately after the conversion. On 14 March 2017, the Company issued 39,906,000 new ordinary shares to CNNC, five related parties under CNNC, Beijing Aerospace Industry Investment Fund LLP and China Aerospace Investment Co., Ltd. (collectively as "Shareholders before listing") at an aggregated consideration of RMB850,000,000.

On 6 July 2018, the Company issued 79,968,700 H shares with par value of RMB1.00 per share at a price of HK$21.6 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 HK$21.6 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 of Hong Kong Limited.

## 2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (collectively referred to as the "Group") since the Company's prospectus dated 22 June 2018 ("Prospectus"). The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 22.

## 3 Changes in accounting policies

### (a) Overview

The ISAB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRS 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in Note 3(b).

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9:

| | At 31 December 2017 RMB'000 | Impact on initial application of IFRS 9 RMB'000 (Note 3(b)) | **At 1 January 2018 RMB'000** |
|---|---|---|---|
| Deferred tax assets | 155,489 | 3,042 | **158,531** |
| Unquoted equity investments | 47,251 | 14,540 | **61,791** |
| **Total non-current assets** | 1,236,852 | 17,582 | **1,254,434** |
| Trade and bill receivables | 1,507,234 | (7,763) | **1,499,471** |
| **Total current assets** | 3,459,942 | (7,763) | **3,452,179** |
| **Net current assets** | 1,543,703 | (7,763) | **1,535,940** |
| **Total assets less current liabilities** | 2,780,555 | 9,819 | **2,790,374** |
| Deferred tax liabilities | (9) | (3,635) | **(3,644)** |
| **Total non-current liabilities** | (334,221) | (3,635) | **(337,856)** |
| **Net assets** | 2,446,334 | 6,184 | **2,452,518** |
| Reserves | (1,629,038) | (6,511) | **(1,635,549)** |
| **Total equity attributable to equity shareholders of the Company** | (1,868,944) | (6,511) | **(1,875,455)** |
| Non-controlling interests | (577,390) | 327 | **(577,063)** |
| **Total equity** | (2,446,334) | (6,184) | **(2,452,518)** |

Further details of these changes are set out in sub-sections (b) and (c) of this Note.

## 3 Changes in accounting policies (continued)

### (b) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

| | RMB'000 |
|---|---|
| **Retained earnings** | |
| Recognition of additional expected credit losses on financial assets measured at amortised cost | (6,700) |
| Related tax | 2,306 |
| Net decrease in retained earnings at 1 January 2018 | (4,394) |
| **Fair value reserve (non-recycling)** | |
| Remeasurement of equity securities designated at fair value through other comprehensive income (non-recycling) | 14,540 |
| Related tax | (3,635) |
| Net increase in fair value reserve (non-recycling) at 1 January 2018 | 10,905 |
| **Non-controlling interests** | |
| Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018 | (327) |

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

#### (i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

## 3 Changes in accounting policies (continued)

### (b) IFRS 9, Financial instruments (continued)

#### (i) Classification of financial assets and financial liabilities (continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

## 3 Changes in accounting policies (continued)

### (b) IFRS 9, Financial instruments (continued)

#### (i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

| | IAS 39 carrying amount at 31 December 2017 RMB'000 | Reclassification RMB'000 | Remeasurement RMB'000 | **IFRS 9 carrying amount at 1 January 2018 RMB'000** |
|---|---|---|---|---|
| **Financial assets carried at amortised cost** | | | | |
| Trade and bill receivables | 1,507,234 | – | (7,763) | **1,499,471** |
| **Financial assets measured at FVOCI (non-recyclable)** | | | | |
| Equity securities (Note) | – | 47,251 | 14,540 | **61,791** |
| **Financial assets carried at FVPL** | | | | |
| Trading securities | 104 | – | – | **104** |
| **Financial assets classified as available-for-sale under IAS 39 (Note)** | 47,251 | (47,251) | – | **–** |

Notes:

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in unlisted equity securities at FVOCI (non-recycling), as these investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

## 3 Changes in accounting policies (continued)

### (b) IFRS 9, Financial instruments (continued)

#### (ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets, trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Life-time ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

## 3 Changes in accounting policies (continued)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is on due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 3 Changes in accounting policies (continued)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

*Basis of calculation of interest income on credit-impaired financial assets*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 3 Changes in accounting policies (continued)

### (b) IFRS 9, Financial instruments (continued)

#### (ii) Credit losses (continued)

*Opening balance adjustment*

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB7,763,000, which decreased retained earnings by RMB4,394,000 and non-controlling interests by RMB327,000 and increased gross deferred tax assets by RMB3,042,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

| | RMB'000 |
|---|---|
| Loss allowance at 31 December 2017 under IAS 39 | 114,180 |
| Additional credit loss recognised at 1 January 2018 on: | |
| — trade and bill receivables | 7,763 |
| **Loss allowance at 1 January 2018 under IFRS 9** | **121,943** |

#### (iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

## 3 Changes in accounting policies (continued)

### (c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

#### *(i) Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and rendering of services.

## 3 Changes in accounting policies (continued)

(c) IFRS 15, Revenue from contracts with customers (continued)

*(ii) Sales commission payable related to sales contracts*

The Group previously recognised sales commission payable related to sales contracts as distribution costs when they were incurred. Under IFRS 15, the group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As the expected amortisation period is one year or less from the date of initial recognition of the asset, this change in accounting policy does not have any material impact on the financial position and the financial result of the Group.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

## 4 Revenue and segment reporting

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

### (a) Disaggregation of revenue

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | | (Note) |
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Disaggregated by major products of service lines | | |
| — Sales of pharmaceuticals | **1,139,517** | 969,672 |
| — Sales of radioactive source products | **145,984** | 92,541 |
| — Irradiation services | **25,274** | 23,231 |
| — Technical services | **20,565** | 14,350 |
| — Revenue from construction contracts | **642** | 3,537 |
| — Other services | **34,198** | 22,272 |
| | **1,366,180** | 1,125,603 |

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see Note 3(c)).

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

### (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 four reportable segments. No operating segments have been aggregated to form the following reportable segments.

## 4 Revenue and segment reporting (continued)

### (b) Segment reporting (continued)

- Pharmaceuticals: manufacturing and sale of a range of imaging diagnostic and therapeutic radio pharmaceuticals imaging, UBT diagnostic kits and test analysers, 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 sterilization purposes, and also design, manufacturing and installation of gamma ray irradiation facilities to irradiation service providers.

- Independent clinical laboratory services and other businesses: provision of independent clinical laboratory services for customers.

#### *(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.

## 4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

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 period is set out below.

| | Six months ended 30 June 2018 | | | | |
|---|---|---|---|---|---|
| | Pharmaceuticals RMB'000 | Radioactive source products RMB'000 | Irradiation RMB'000 | Independent clinical laboratory services and other businesses RMB'000 | Total RMB'000 |
| **Disaggregated by timing of revenue recognition** | | | | | |
| Point in time | 1,144,573 | 162,458 | 25,576 | 33,233 | 1,365,840 |
| Over time | – | – | 340 | – | 340 |
| **Revenue from external customers** | 1,144,573 | 162,458 | 25,916 | 33,233 | 1,366,180 |
| Inter-segment revenue | 2,127 | 10,283 | – | 4,673 | 17,083 |
| **Reportable segment revenue** | 1,146,700 | 172,741 | 25,916 | 37,906 | 1,383,263 |
| **Reportable segment profit (gross profit)** | 862,763 | 83,159 | 8,822 | 13,629 | 968,373 |

## 4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

| | Six months ended 30 June 2017 | | | | |
|---|---|---|---|---|---|
| | Pharmaceuticals RMB'000 | Radioactive source products RMB'000 | Irradiation RMB'000 | Independent clinical laboratory services and other businesses RMB'000 | Total RMB'000 |
| **Disaggregated by timing of revenue recognition** | | | | | |
| Point in time | 974,478 | 102,085 | 23,945 | 22,272 | 1,122,780 |
| Over time | – | – | 2,823 | – | 2,823 |
| **Revenue from external customers** | 974,478 | 102,085 | 26,768 | 22,272 | 1,125,603 |
| Inter-segment revenue | 191 | 14,357 | 38 | 4,710 | 19,296 |
| **Reportable segment revenue** | 974,669 | 116,442 | 26,806 | 26,982 | 1,144,899 |
| **Reportable segment profit (gross profit)** | 690,404 | 48,823 | 9,051 | 10,482 | 758,760 |

Note: The Group has initially applied IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see Note 3(c)).

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018 RMB'000** | 2017 RMB'000 |
| Reportable segment profit (gross profit) | **968,373** | 758,760 |
| Elimination of inter-segment profit (gross profit) | **(1,499)** | (3,808) |
| Consolidated gross profit | **966,874** | 754,952 |

*(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

| | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Government grants | **2,009** | 4,342 |
| Interest income | **4,523** | 5,805 |
| Rental income from operating leases | **3,960** | 3,713 |
| Others | **378** | (81) |
| | **10,870** | 13,779 |

## 6 Profit before taxation

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

### (a) Finance costs

| | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Interests on borrowings | **—** | 2,326 |
| Net foreign exchange (gain)/loss | **(348)** | 242 |
| Interest accretion on reclamation obligations, net | **1,687** | 1,653 |
| Interest cost on defined benefit retirement plans | **836** | 590 |
| Interest cost on long-term payables | **651** | — |
| | **2,826** | 4,811 |

### (b) Other items

| | Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 (Note) |
|---|---|---|
| Depreciation | **30,049** | 31,604 |
| Amortisation | | |
| — lease prepayments | **953** | 767 |
| — intangible assets | **1,532** | 1,170 |
| (Reversed of)/impairment losses | | |
| — trade and bill receivables | **9,650** | 5,690 |
| — prepayments, deposits and other receivables | **(585)** | 52 |
| Research and development costs (other than amortisation costs) | **29,326** | 26,928 |
| Increase in provisions for reclamation obligations | **1,193** | 3,094 |
| Operating lease charges: minimum lease payment | **3,587** | 3,315 |
| Cost of inventories | **338,774** | 320,747 |

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (See Note 3).

## 7 Income tax

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| **Current tax** | | |
| Provision for the period | **52,909** | 31,831 |
| Under-provision in respect of prior years | **5,217** | 233 |
| | **58,126** | 32,064 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(2,710)** | (2,873) |
| | **55,416** | 29,191 |

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2017: 25%) for the six months ended 30 June 2018.

(ii) Certain subsidiaries of the Group are approved High and New Technology Enterprises and are 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 equity shareholders of the Company of RMB116,983,000 (six months ended 30 June 2017: RMB94,588,000) and the weighted average number of ordinary shares in issue of 239,906,000 (six months ended 30 June 2017: 224,032,000) in issue during the interim period.

The Company did not have any potential dilutive shares in existence during the interim period. Accordingly, diluted earnings per share is the same as basic earnings per share.

## 9 Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired items of plant and machinery with a cost of RMB157,940,000 (six months ended 30 June 2017: RMB87,691,000). Items of plant and machinery with a net book value of RMB219,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB752,000), resulting in a loss on disposal of RMB39,000 (six months ended 30 June 2017: RMB362,000).

## 10 Trade and bill receivables

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 (Note) |
|---|---|---|
| Bill receivables | **15,621** | 22,341 |
| Trade receivables due from | | |
| — related parties under CNNC | **10,371** | 16,522 |
| — associates and a joint venture | **46,791** | 46,168 |
| — third parties | **1,719,887** | 1,536,383 |
| | **1,792,670** | 1,621,414 |
| Less: loss allowance | **(131,593)** | (114,180) |
| | **1,661,077** | 1,507,234 |

Notes: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3(b)).

All of the trade and bill receivables (net of impairment losses) are expected to be recovered within one year.

### (a) Aging analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition ,if earlier) and net of loss allowance, is as follows:

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Within 1 year | **1,482,667** | 1,352,610 |
| Between 1 to 2 years | **125,972** | 118,193 |
| Between 2 to 3 years | **37,864** | 22,516 |
| Over 3 years | **14,574** | 13,915 |
| | **1,661,077** | 1,507,234 |

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

## 10 Trade and bill receivables (continued)

(b) Movement in the loss allowance amount in respect of trade and bill receivables

The movement in the loss allowance amount in respect of trade and bill receivables during the past six months ended 30 June 2018 is as follows:

| | Six months ended 30 June 2018 RMB'000 | Year ended 31 December 2017 RMB'000 (Note) |
|---|---|---|
| At 1 January | **114,180** | 100,285 |
| Impairment losses recognition | **7,763** | — |
| Loss allowance recognised | **9,650** | 13,895 |
| At 30 June/31 December | **131,593** | 114,180 |

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. (See Note 3(b))

## 11 Cash at bank and on hand

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Cash on hand | **170** | 125 |
| Cash at bank | **398,207** | 933,406 |
| Cash at CNNC Finance Company Ltd. | **678,183** | 545,302 |
| | **1,076,560** | 1,478,833 |
| Representing: | | |
| Cash and cash equivalents in cash flow statement | **917,669** | 1,139,156 |
| Time deposits with original maturity over three months(Note(i)) | **158,891** | 339,047 |
| Restricted deposits (Note(ii)) | **—** | 630 |
| | **1,076,560** | 1,478,833 |

(i) Time deposits with original maturity over three months of RMB18,000,000 as at 30 June 2018 (31 December 2017: RMB18,000,000) were pledged as security for a bank loan.

(ii) Restricted deposits mainly represent deposits for guarantee of letters of credit.

## 12 Trade payables

All trade payables are expected to be settled within one year.

## 13 Dividends

(i) On 30 March 2018, the Board of Directors declared cash dividends of RMB66,478,000 for the year ended 31 December 2017 to the Shareholders before listing.

(ii) Dividends payable to equity shareholders attributable to the interim period.

| | 2018<br>RMB'000 |
|---|---|
| Interim dividend declared after the interim period of RMB15 cents per share | **47,981** |

The interim dividend has not been recognised as a liability at the end of the reporting period and has not been paid at the date of this report.

## 14 Fair values measurement of financial instruments

### (a) Financial assets and liabilities measured at fair value

#### *(i) Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs.

## 14 Fair values measurement of financial instruments (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### *(i) Fair value hierarchy (continued)*

The Group has a finance manager performing valuations for the trading securities and unquoted equity investments. The manager reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the manager at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

| | Fair value at 30 June 2018 RMB'000 | Fair value measurements as at 30 June 2018 categorised into | | |
|---|---|---|---|---|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| **Recurring fair value measurement** | | | | |
| Trading securities | 72 | 72 | – | – |
| Unquoted equity investments | 68,499 | – | – | 68,499 |
| | 68,571 | 72 | – | 68,499 |

| | Fair value at 31 December 2017 RMB'000 | Fair value measurements as at 31 December 2017 categorised into | | |
|---|---|---|---|---|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| **Recurring fair value measurement** | | | | |
| Trading securities | 104 | 104 | – | – |

Note:

As at 31 December 2017, the unquoted equity investments were classified as available-for-sale investments and measured at cost less impairment losses as these investments in unlisted companies do not have a quoted market price in an active market for an identified instruments and whose fair value cannot otherwise be reliably measured. Available-for-sale financial assets were reclassified to financial assets measured at FVPL and those designated at FVOCI (non-recycling) upon the adoption of IFRS 9 at 1 January 2018 (see Note 3(b)(i)).

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 14 Fair values measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

*(ii) Information about Level 3 fair value measurements*

| | Valuation techniques | Significant unobservable inputs | Range | Weighted average |
|---|---|---|---|---|
| Unlisted equity instruments | Market comparable companies | Discount for lack of marketability | 40% | 40% |

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB643,000.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

| | At 30 June 2018 RMB'000 |
|---|---|
| Unquoted equity investments: | |
| As 31 December 2017 under IAS39 | 47,251 |
| Impact on initial application of IFRS9 (Note 3(b)) | 14,540 |
| Adjusted balance at 1 January 2018 | 61,791 |
| Additional securities acquired | 7,040 |
| Changes in fair value recognised in other comprehensive income during the period | (332) |
| At 30 June 2018 under IFRS 9 | 68,499 |

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were presented in the "Other income" line item in the consolidated statement of profit or loss.

## 14 Fair values measurement of financial instruments (continued)

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2017 and 30 June 2018 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

| | **Carrying amounts at 30 June 2018 RMB'000** | **Fair value at 30 June 2018 RMB'000** | Carrying amounts at 31 December 2017 RMB'000 | Fair value at 31 December 2017 RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Unquoted equity investments | **54,291** | **68,499** | 47,251 | 61,791 |

## 15 Commitments

### (a) Capital commitments outstanding not provided for in the interim financial report

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Contracted for | **228,723** | 106,254 |
| Authorised but not contracted for | **31,493** | 76,855 |
| | **260,216** | 183,109 |

### (b) Operating lease commitments

As at the end of reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Within 1 year | **11,727** | 10,052 |
| After 1 year but within 5 years | **25,616** | 23,837 |
| | **37,343** | 33,889 |

## 16 Material related party transactions

The Group is part of a large group of companies under CNNC, and has significant transactions and relationships with CNNC and related parties under CNNC.

In addition to the balances disclosed elsewhere in this interim financial report, the principle transactions which were carried out in the ordinary course of business are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| *Sale of goods to* | | |
| CNNC | **4** | — |
| Related parties under CNNC | **24,527** | 14,335 |
| Associates and a joint venture | **23,237** | 9,645 |
| *Service provided to* | | |
| Related parties under CNNC | **1,994** | 2,228 |
| Associates and joint venture | **27,251** | 26,500 |
| *Purchase of goods from* | | |
| Related parties under CNNC | **44,941** | 4,464 |
| Associates and joint venture | **10,284** | 12,959 |
| *Purchase of a property, plant and equipment from* | | |
| Related parties under CNNC | **—** | 4,771 |
| *Service provided by* | | |
| Related parties under CNNC | **28,943** | 46,103 |
| *Leases from* | | |
| Related parties under CNNC | **1,381** | 2,442 |
| *Loans repaid to* | | |
| CNNC | **—** | 60,000 |
| Related parties under CNNC | **—** | 400,000 |
| *Interest expenses* | | |
| CNNC | **—** | 144 |
| Related parties under CNNC | **—** | 2,045 |
| *Net deposits placed with/(withdrawn from)* | | |
| Related parties under CNNC | **132,881** | 142,988 |

## 16 Material related party transactions (continued)

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| *Interest income* | | |
| Related parties under CNNC | **2,701** | 6,587 |
| *Dividend paid to* | | |
| Related parties under CNNC | **67,042** | 50,371 |
| *Dividend received from* | | |
| Related parties under CNNC | **23,931** | — |
| *Capital investment in* | | |
| Related parties under CNNC | **7,040** | — |
| *Capital investment from* | | |
| CNNC | **—** | 60,000 |
| Related parties under CNNC | **—** | 710,000 |

## 17 Non-adjusting events after the reporting period

(a) Acquisition of a subsidiary

On 27 April 2018, the Group entered into a share purchase agreement ("SPA") with Beijing Liuhe Zhongxin Culture Development Co., Limited ("Beijing Liuhe"). Pursuant to the SPA, the Group agreed to purchase 100% of the equity interest in Beijing Sanjin Electronic Corporation Limited ("Beijing Sanjin") from Beijing Liuhe at the consideration of RMB211,500,000. The acquisition has been completed on 19 July 2018.

(b) Issue of shares

On 6 July 2018, the Company issued 79,968,700 H shares by way of initial public offering of 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. Details are disclosed in Note 1.

## 18 Comparative figures

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

## 19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

### IFRS 16, Leases

As discussed in the Prospectus, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 15(b), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB37,343,000.

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

| | |
|---|---|
| "13th Five-Year Plan" | the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China |
| "Articles of Association" | the articles of association of the Company |
| "Board" or "Board of Directors" | the board of Directors of our Company |
| "China" or "PRC" | the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan |
| "China Isotope & Radiation", "Company", "our Company", "we" or "us" | China Isotope & Radiation Corporation, a joint stock company incorporated in the PRC |
| "CNNC" | China National Nuclear Corporation |
| "CIAE" | China Institute of Atomic Energy |
| "CNNC Fund" | Beijing CNNC Industry Investment Fund (LLP) |
| "Director(s)" | director(s) of our Company |
| "Domestic Share(s)" | ordinary shares in the share capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB |
| "Group" or "our Group" | the Company and its subsidiaries from time to time |
| "Listing Date" | 6 July 2018, being the date on which the H Shares are listed on the Stock Exchange |
| "H Share(s)" | overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange |
| "HK$" or "HK dollars" | Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong |
| "Hong Kong" or "HK" | Hong Kong Special Administrative Region of the PRC |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

# DEFINITIONS (CONTINUED)

| | |
|---|---|
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers |
| "NPIC" | Nuclear Power Institute of China |
| "PBOC" | People's Bank of China |
| "Prospectus" | the prospectus of the Company dated 22 June 2018 |
| "Reporting Period" or "period" | the six months ended 30 June 2018 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "ROUNDING" | In this report, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | the ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Shenzhen CICAM" | Shenzhen CICAM Manufacturing Co., Ltd. |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supervisor(s)" | supervisor(s) of our Company |
| "Supervisory Committee" | the supervisory committee of our Company |
| "%" | per cent |

# CORPORATE INFORMATION

## CHINESE NAME OF THE COMPANY
中國同輻股份有限公司

## ENGLISH NAME OF THE COMPANY
China Isotope & Radiation Corporation*

## REGISTERED OFFICE
Room 611, 6/F
Fuxingmenwai Street No. A2
Xicheng District
Beijing
China

## HEAD OFFICE IN THE PRC
No. 1 Nansixiang
Sanlihe
Xicheng District
Beijing
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## BOARD OF DIRECTORS

### Executive Directors
Mr. Meng Yanbin *(chairman of the Board)*
Mr. Wu Jian
Mr. Du Jin

### Non-executive Directors
Mr. Zhou Liulai
Mr. Luo Qi
Mr. Wang Guoguang

### Independent Non-executive Directors
Mr. Guo Qingliang
Mr. Meng Yan
Mr. Hui Wan Fai

## THE COMMITTEES UNDER THE BOARD

### Audit and Risk Management Committee
Mr. Hui Wan Fai *(chairman)*
Mr. Meng Yan
Mr. Zhou Liulai

### Nomination Committee
Mr. Meng Yanbin *(chairman)*
Mr. Guo Qingliang
Mr. Hui Wan Fai

### Remuneration and Appraisal Committee
Mr. Meng Yan *(chairman)*
Mr. Wang Guoguang
Mr. Guo Qingliang

## LEGAL REPRESENTATIVE
Mr. Meng Yanbin

## AUTHORIZED REPRESENTATIVES
Mr. Meng Yanbin *(chairman of the Board)*
Mr. Wu Laishui *(joint company secretary)*
Ms. Kam Mei Ha Wendy *(as the alternate representative of Mr. Meng Yanbin)*

## SUPERVISORS
Mr. Zhang Qingjun
Mr. Liu Zhonglin
Mr. Chen Shoulei
Mr. Li Guoxiang
Mr. Zhang Yiming

## JOINT COMPANY SECRETARIES
Mr. Wu Laishui
Ms. Kam Mei Ha Wendy

* *For identification purpose only*

# CORPORATE INFORMATION (CONTINUED)

## AUDITOR
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

## COMPLIANCE ADVISER
China International Capital Corporation Hong Kong Securities Limited
29th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

## LEGAL ADVISORS
*As to Hong Kong Law*
Norton Rose Fulbright Hong Kong
38/F, Jardine House
One Connaught Place
Central
Hong Kong

*As to PRC Law*
Grandway Law Office
7/F Beijing News Plaza
No. 26 Jianguomennei Dajie
Dongcheng District
Beijing
PRC

## PRINCIPAL BANKERS
Industrial and Commercial Bank of China, Chang'an Branch
No. 6, Yi Xuannei Street
Xicheng District
Beijing
PRC

## H SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE
1763

## INVESTORS' ENQUIRIES
Investors' hotline: 86 10 68511807
Fax: 86 10 68512374
Web site: www.china-isotope.com
E-mail: ir@circ.com.cn

## LISTING DATE
6 July 2018

中國同輻股份有限公司
China Isotope & Radiation Corporation