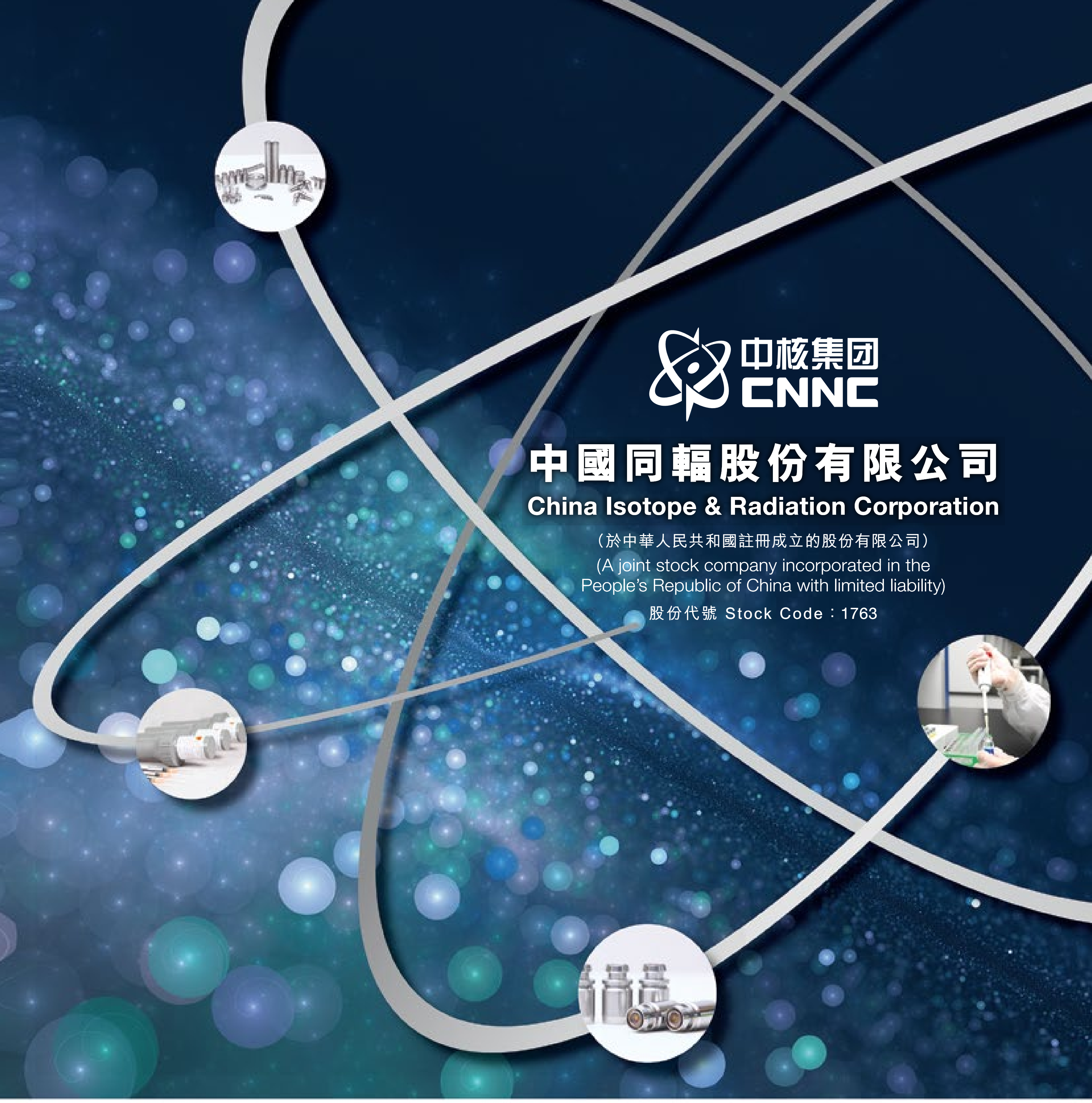

中核集团
CNNC

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

年度報告
Annual Report 2018

CONTENTS

CORPORATE INFORMATION

LEGAL 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
(Resigned on 28 March 2019)
Mr. Wang Guoguang
(Resigned on 28 March 2019)

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

* *For identification purpose only*

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
(Resigned on 28 March 2019)
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
(Resigned on 28 March 2019)
Mr. Li Guoxiang
Mr. Zhang Yiming

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

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

COMPLIANCE ADVISER
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Hong Kong Securities Limited
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As to PRC Law
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PRC

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INVESTORS' ENQUIRIES
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Web site: www.china-isotope.com
E-mail: ir@circ.com.cn

LISTING DATE
6 July 2018

FINANCIAL HIGHLIGHTS

(RMB'000)	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	**3,238,019**	2,672,045
Gross profit	**2,292,548**	1,884,786
Profit from operations	**676,652**	530,053
Profit before taxation	**693,134**	557,964
Profit attributable to equity shareholders of the Company	**322,951**	271,454
Basic/diluted earnings per share (RMB)	**1.16**	1.17
Profitability		
Gross profit margin	**70.8%**	70.5%
Operating profit margin	**20.9%**	19.8%
Net profit margin	**18.2%**	17.8%

	31 December 2018	31 December 2017
Total assets	**6,864,788**	4,696,794
Total liabilities	**2,561,612**	2,250,460
Net assets	**4,303,176**	2,446,334

GROUP PROFILE

As a leader in the isotopes and irradiation technology application industry in the PRC, CIRC has tapped into the field of isotopes and irradiation technologies since it was established in 1983, and has tilled the nuclear technology application industry for over 30 years. As a nuclear technology application platform of CNNC, its businesses have basically covered the entire nuclear technology application industry. Given the high entry qualification and complex technological barriers, CIRC has huge space for business expansion in addition to its existing business.

CIRC focuses on research and development, manufacturing, and sales of pharmaceuticals, and is also engaged in radioactive sources, irradiation, and independent clinical laboratory services. The Company derives 83.2% of its revenue and 89.8% of its gross profit from the pharmaceuticals segment in the nuclear medicine industry. As a leading enterprise in the PRC nuclear medicine industry featured with huge potential, high entry barriers and strong profitability, CIRC is the largest manufacturer of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers, and RIA kits in the PRC. CIRC has high market presence. CIRC is the largest radioactive source products manufacturer with most comprehensive product portfolio in the PRC, and is the only radioactive source product manufacturer in the PRC with manufacturing capability to produce various products, such as cobalt-60 for irradiation service and cobalt-60 for medical applications. In terms of the irradiation service, CIRC 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 CIRC 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 an isotopes and irradiation technology application industry platform of CNNC, CIRC has 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, CIRC 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".

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board of directors (the "**Board**") of China Isotope & Radiation Corporation (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you the annual results report of the Company for the year ended 31 December 2018 ("**2018**", or the "**Reporting Period**").

Over the past year, the global economy was turbulent and unstable, and the economy in Mainland China also slowed down after years of rapid development, while the Chinese Government continued to implement the structural reform of the existing economic pattern and the industrial transformation and upgrading. Faced with the turbulent economic environment, CIRC started the research on development strategies as the base, deepened research and demonstration and formulated the development strategy of "Becoming Larger, Stronger and Better" for CIRC in 2017. It has established the development direction, optimized the strategy layout, defined the development path and implemented the guarantee mechanism of CIRC in the new era. CIRC prioritized the task of "Becoming Larger", expanded the nuclear technology application industry, increased revenue and profit, and drove profit with revenue, which in turn stimulated the profit growth. Adhering to the strategic concept of "industrialization and internationalization" and taking the path of "investments and controlling resources, stronger core and expanded application", the Company has intensified the "shared and diversified" development and focused on building an international first-class group of supplying nuclear technology application products and services. The Group believes that difficulties will come along with opportunities, and that under the strong and powerful leadership of our management team, the Group will achieve certain progress in the development strategies implemented in various aspects including product research, development, manufacturing and sales. As of 31 December 2018, revenue and other income recorded by the Group were RMB3,326.3 million, representing a year-on-year increase of 22.8%.

After more than 30 years of intensive exploration since inception in 1983, CIRC was successfully listed on the Main Board of the Hong Kong Stock Exchange last year, which marked a new milestone for the Group. The funds raised from the listing have the Group equipped with more resources to accelerate its business development. Looking forward, the Group is confident towards the prospects of the medical market. The enhanced awareness of the people will help increase the growing demand for medical care. The Group will proactively develop and operate our businesses, covering pharmaceuticals, radioactive source products, irradiation, independent clinical laboratory services and other businesses. Meanwhile, the Group will also implement the development strategy, strengthen research and development, expand production capacity, carry out mergers and acquisitions in due course for industrial extension and capture the opportunities in the industry, so as to further consolidate and strengthen its leading position in the isotopes and radiation technology industry.

Last but not least, I would like to take this opportunity to extend my appreciation to all Shareholders, investors and partners of the Group for their unremitting efforts for the successful listing of Shares of the Company in the competitive market environment. Meanwhile, I would also like to thank our management team and the staff for their sincere devotion, which enabled the Group to achieve good results in business development last year. As a benchmarking enterprise in the isotope and radiation industry, leveraging upon its excellent performance and solitary corporate cultural spirit, the Group will create more value for Shareholders with high spirits.

Mr. Meng Yanbin
Executive Director and Chairman of the Board

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radiopharmaceuticals and radioactive source products for medical and industrial applications, the provision of irradiation service for 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

For the year ended 31 December 2018, we operated four business segments, namely pharmaceuticals, radioactive source products, irradiation and independent clinical laboratory services and other businesses. Benefiting from medical treatment technologies and policies, the continuing deepening of the reform of the State pharmaceuticals system, the progress of the radioactive pharmaceuticals and medical treatment technologies, the further improvement of the nuclear medicine system, coupled with the aging population, the increased average longevity of people and the enhanced health and safety awareness and per-capita consumption of citizens, the isotopes and irradiation industry has widespread development and application in China. During the Reporting Period, the Group considered the situation, focused on research and development, strengthened production and construction, promoted the industrial strategic layout and captured market share. Revenue achieved was RMB3,238.0 million, representing a year-on-year increase of 21.2%. Net profit for the year was RMB588.1 million, representing a year-on-year increase of 23.6%, and net profit attributable to equity shareholders of the Company was RMB323.0 million, representing a year-on-year increase of 19.0%.

Business Segments

1. *Pharmaceuticals*

We are the leading manufacturer of diagnostic and therapeutic radiopharmaceuticals in China, primarily engaged in the research, development, manufacturing and sale of a wide range of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers and in vitro immunoassay diagnostic reagents and kits in China. During the Reporting Period, the Group promoted all production and operation activities successively, adjusted the marketing strategy according to circumstances, placed sources to explore new markets, continuously optimized products and improved the industrial structure. Revenue from the pharmaceuticals business was RMB2,693.6 million, representing a year-on-year increase of 19.5%. In 2018, revenue from sales of technetium-99 instantly labeled pharmaceuticals increased by 21% compared to 2017; revenue from sales of fluorine-18-FDG injections increased by 18% compared to 2017, which was mainly due to the fact that with the official operation of the pharmaceuticals center in Hengdian and the increased market supply volume of HTA in Shenyang, the region to be supplied continued to expand and the market supply capacity improved; revenue from sales of iodine-125 sealed sources grew by 23% compared to 2017, mainly because iodine-125 sealed sources are becoming more suitable for patients' treatment, coupled with the promotion and publicity on treatment of malignant tumors with iodine-125 sealed sources, leading to the increased existing patient flow. Meanwhile, as more and more hospitals choose iodine-125 sealed sources as a method for treatment, it has brought more new customers for CIRC; and revenue from sales of carbon-14 UBT kits increased by 26% compared to 2017, mainly due to the significant growth of UBT kits as a result of the further exploration of the frontline physical examination market, the continuous conducting of academic promotion and charity clinics activities and the enhanced health awareness of frontline hospitals and the general public.

2. *Radioactive source products*

We are one of the largest manufacturers of medical and industrial radioactive sources products in China and also a radioactive sources producer with a most complete range of radioactive source product offerings in China, primarily engaged in the research, development, manufacturing and sale of various medical and industrial radioactive sources products as well as provision of related technical services. During the Reporting Period, the Group unremittingly overcame difficulties and solved many problems such as qualifications and transportation of the cobalt source export, and successfully achieved the large-scale export of 1-million-Ci cobalt-60 radioactive sources for the first time in early 2018. During the Reporting Period, the Group actively broadened its customer base, and resumed the production of some of its industrial radioactive source production lines, which promoted a significant increase in sales revenue of radioactive source products. Revenue of radioactive source products was RMB397.6 million, representing a year-on-year increase of 36.1%, among which, revenue from sales of gamma knife radioactive resources grew by 257% compared to the same period of last year, which was mainly due to the proactive maintenance and expansion of international raw materials supply channels to ensure the supply of raw materials of medical radioactive resources; revenue from sales of radioactive resources for non-destructive testing purpose increased by 35% compared to the same period of last year through a deep understanding of the utilization plans of customers of gamma ray non-destructive testing in respect of the demand for radioactive resources and our reasonable storage of inventories; and revenue from the radioactive resource decommission service increased by 16% compared to the same period of last year which was attributable to the proactive conducting of nuclear technical service business. Revenue from sales of cobalt-60 radioactive sources for irradiation purpose increased by 61.2% compared to the same period of last year, mainly due to the growing market demand of cobalt-60 radioactive sources for irradiation purpose and our increasing efforts to explore overseas markets.

3. *Irradiation*

We are primarily engaged in providing irradiation service for sterilization purpose to manufacturers of medical devices, food, traditional Chinese medicine and cosmetics for sterilisation in China, and provide EPC services for the design, manufacturing and installation of irradiation facilities to irradiation service providers. During the Reporting Period, although the competition in the irradiation market was fierce and the demand for the EPC service of irradiation facilities was reduced, the Group still spared no efforts to intensify user tracking and follow-up, keep abreast of market situation, maximized our efforts to understand and meet users' demand and was committed to improving service quality. By proactively expanding the new irradiation industry, we achieved revenue from our irradiation business of RMB72.3 million, representing a year-on-year increase of 9.6%.

4. *Independent clinical laboratory services and other businesses*

As a downstream extension of our in vitro immunoassay diagnostic reagents and kits business, we also provide independent clinical laboratory services to hospitals and other medical institutions in China. We primarily offer independent clinical laboratory services with respect to hepatitis, endocrine, bone metabolism, cardiovascular disease, diabetes and other diseases. In 2018, a subsidiary of the Group, which is engaged in clinical laboratory services, successfully completed the relocation and expansion of its headquarter, added more than 20 new testing items and provided updated and more complete clinical laboratory services, while achieving the nationwide chain operation of independent clinical laboratories. In particular, our laboratory centers in Chengdu and Wuhan were landed, which in turn improved our industry competitiveness and regional strategic layout. During the Reporting Period, revenue from independent clinical laboratory services and other businesses of the Group was RMB74.5 million, representing a year-on-year increase of 23.9%, of which revenue from our independent clinical laboratory services increased by 28.1% year-on-year. The main reasons are due to the completion of the relocation and expansion of our clinical laboratory service subsidiary; establishment of our special testing platform to fill our gaps in the course of development and to promote technological upgrade and enhance our strengths; entering into a strategic cooperation agreement with BGI (華大基因) to tap the gene testing market.

Meanwhile, as a new industry, the nuclear medical equipment business is accelerating its geographical distribution. The Company has established CNNC High Energy Equipment (Tianjin) Co., Ltd (中核高能 (天津) 裝備有限公司) ("**CNHE**") in Tianjin as a nuclear medical equipment platform of the Group to expedite the introduction of foreign advanced technologies and to cooperate with domestic first-class enterprises in order to achieve a "corner overtaking". On 28 January 2019, CNHE established a subsidiary with an American company, Accuray Asia Limited, in the PRC for production and sale of high-end radiotherapy equipment.

The table below sets forth our revenue by business segment in 2018 and 2017:

(RMB in millions, except for percentage)	Year ended 31 December 2018 Amount	%	Year ended 31 December 2017 Amount	%
Pharmaceuticals	**2,693.6**	**83.2**	2,253.8	84.4
Radioactive source products	**397.6**	**12.3**	292.2	10.9
Irradiation	**72.3**	**2.2**	65.9	2.5
Independent clinical laboratory services and other businesses	**74.5**	**2.3**	60.1	2.2
Total	**3,238.0**		2,672.0	

Marketing

In order to strengthen the market management ability of the Company's system, coordinate with the market to develop resources, enhance the marketing ability and improve the market competitiveness, the Company established a radiopharmaceutical marketing center, a radioactive source marketing center and a brachytherapy business division in 2018, and will continue to extensively explore their respective market segments, fully tap market potential and promote the rapid expansion of the existing businesses of CRIC. There were 10 newly-launched nuclide therapy clinical promotion projects and 4 hospitals passing the approval-listing examination during the year. There are currently 47 participating hospitals nationwide. The expedited penetration of nuclear clinical therapy application has effectively helped the Company to expand the market for its products. The Company is striving to build its "Comprehensive Nuclear Medical Solution" platform to provide large hospitals across the country with comprehensive nuclear medical solution services and accelerate and promote the shift from supply of products to provision of system solutions, which in turn will expedite the penetration of nuclear medicine offices of medical institutions in China and promote the development and growth of the nuclear medicine undertaking in China. The Company held 14 national-level academic conferences, industrial exhibitions and other publicity activities in the whole year, which significantly improved the band influence of the Company. The Group has established a nationwide sales network in China and owns diversified marketing and promotion activities.

As of 31 December 2018, the Group held various marketing activities through our sales network comprising our own sales staff, promoters and distributors, covering 31 provinces, municipalities and autonomous regions in China. In addition, the Group had a broader end user base. As of 31 December 2018, the Group had a sales network covering more than 11,000 hospitals and other medical institutions, including 1,800 Class III hospitals, 5,000 Class II hospitals and 4,400 Class I hospitals in China.

Scientific Research and Innovation

The Group owns strong research and development strengths. Our research and development team comprising 186 research and development staff focuses on the extensive researching and optimization of production technologies, the development of new products and the safety and efficacy upgrading of existing products. The Group first conducts detailed market analysis and then strictly selects research and development projects according to its own advantages, industrial expertise and market demand. We have been proactively researching and developing various imaging diagnostic and therapeutic pharmaceuticals and are striving to fill in the blanks in the China therapy fields so as to meet the therapy demand. As of 31 December 2018, we owned nine imaging diagnostic and therapeutic radiopharmaceuticals under research and development, including one radiopharmaceutical pending approval for production (i.e. sodium iodine-131 capsule for therapeutic purpose), one radiopharmaceutical at the stage of clinical trial (i.e. iodine-131-MIBG injection), one therapeutic radiopharmaceutical pending application and approval for clinical trial (i.e. palladium-103 sealed source), one imaging diagnostic radiopharmaceutical pending approval for clinical trial (i.e. sodium fluorine-18 injection) and four imaging diagnostic and therapeutic radiopharmaceuticals under various stages of research and development.

In 2018, we achieved remarkable results in our work on intellectual properties with a total of 44 patents applied including 20 patents for inventions and 26 licensed patents including 6 patents for inventions. As of 31 December 2018, we had registered more than 230 patents and had filed applications for more than 70 patents, which further solidified our business strengths in China. On 23 November 2018, the inauguration of the establishment of the Group's CIRC Institute (中國同輻研究院) took place. The Group worked with foreign and domestic advantageous enterprises and public institutions to innovate on operating systems and mechanisms, carried out product research and development through various methods including independent research and development, alliance, entrustment, introduction or acquisition and merger, and will gradually establish a high-level enterprise research and development center covering all nuclear technology application fields. In addition, our "Project for Technological Research and Development and Industrialization of Cobalt-60 for Industrial Purposes to be Produced Using Nuclear Heavy Water Reactors" (利用核電重水堆生產工業應用^{60}Co技術研發及產業化工程) was awarded the nomination prize in the Fifth China Industry Awards (第五屆中國工業大獎).

International Businesses

During the Reporting Period, we recorded revenue of RMB48.5 million from our export of UBT analyzers, RIA kits, cobalt sources and other products to more than 50 countries and regions. We have completed the return of a large batch of old and retired cobalt sources back to the original exporters and constructed a full cycle mechanism of international import and export of cobalt sources. We have exported a total of 3.5 million curies of cobalt sources in three batches during the full year based on our first export of domestically-made cobalt sources at the beginning of the year. Up to date, China's cobalt sources have achieved a great transformation from long-term dependence on import to localization by breaking through the monopoly and then to the going global and mass export. Our iodine-125 sealed sources have completed the entry formalities of a country's food and drug administration, and the first operation with them is round the corner. We have participated in the first Ministerial Meeting of Nuclear Science and Technologies held by International Atomic Energy Agency and successfully held China Bilateral Meeting and Exhibition, which has paved a solid base for the landing of relevant cooperation projects. Responding to the State's "One Belt, One Road" Initiative, we are donating gamma knife radiotherapy equipment to Morocco so as to help explore into the African market. Our Special Funds for Asian Cooperation Project (亞洲合作專項資金項目) has been successfully approved by the Ministry of Foreign Affairs. This is the first project in the nuclear technology application field in China supported by such special funds, which is of significance for the Group to go global as the leader of the industry.

Production Capacity

The manufacturing and production facilities of the Group have a wide geographical coverage in China. As of 31 December 2018, the Group had ten production facilities for imaging diagnostic and therapeutic radiopharmaceuticals, two production facilities for UBT kits and analyzers, one production facility for in vitro immunoassay diagnostic reagents and kits and three production facilities for radioactive source products. These production bases are located in Beijing, Chengdu, Shanghai, Hangzhou, Tianjin, Chongqing, Zhengzhou, Guangzhou, Shenyang, Hengdian, Shenzhen, Tongcheng and Qinshan.

The production capacity, actual production volume and utilization rates for 2018 are set out in the table below:

Imaging diagnostic and therapeutic radiopharmaceuticals:

	Year ended 31 December 2018		
	Annual designed capacity	Actual production volume	Utilization rate
Fluorine-18-FDG injections (Ci)	11,600	4,453	38.4%
Molybdenum-99/technetium-99m generators (Ci)	32,445	15,903	49.0%
Technetium-99m labeled injections (vial)	567,000	396,333	69.9%
Sodium iodine-131 oral solution (Ci)	21,986	12,961	59.0%
Iodine-125 sealed sources (unit)	800,000	378,069	47.3%
Strontium-89 chloride injections (vial)	65,000	8,952	13.8%

UBT kits and analyzers:

	Year ended 31 December 2018		
	Annual designed capacity	Actual production volume	Utilization rate
carbon-13/14 UBT kits (unit)	23,000,000	26,414,999	114.9%
carbon-13/14 UBT analyzers (unit)	6,200	4,135	66.7%

In vitro immunoassay reagents and kits:

	Year ended 31 December 2018		
	Annual designed capacity	Actual production volume	Utilization rate
RIA kits (unit)	200,000	113,249	56.6%
EIA reagents, CLIA reagents and TRFIA reagents (unit)	100,000	56,246	56.3%
Colloidal gold reagents (unit)	100,000	304	0.3%

Radioactive source products:

	Year ended 31 December 2018		
	Annual designed capacity	Actual production volume	Utilization rate
Cobalt-60 source for gamma knife (Ci)	2,500,000	340,800	13.6%
Iridium-192 brachytherapy sources (Ci)	10,000	3,700	37.0%
Cobalt-60 radioactive source for irradiation service (Ci)	14,000,000	8,890,018	63.4%
Californium-252 startup neutron sources (Ci)	—	—	—
Iridium-192 non-destructive testing radioactive sources (Ci)	1,200,000	149,790	12.5%
Caesium-137 radioactive sources (Ci)	55,835	2,041	3.7%
Americium-241/Beryllium neutron sources (Ci)	1,000	1	0.1%

FUTURE DEVELOPMENT

The China isotopes and irradiation technology industry is developing rapidly. We will pay close attention to the developments in politics, economic conditions, healthcare policy, capital market and our peers in China in order to address the continuing and fast market changes. As an isotopes and irradiation technology application industry platform of CNNC, we will leverage the strong business plan and strategy executing abilities of our management team and the rich knowledge and experience of our professional and skilled talents to expand our product portfolio, increase our production capacity and strengthen our sales and marketing efforts through our investment in the research and development projects so as to increase our market penetration at home and abroad. Meanwhile, we will complement our organic growth through strategic acquisitions, and expand and leverage our independent clinical laboratory service capacities to enrich our service offerings, so as to create our advantages in research and development capabilities, technological expertise, brand recognition and academic marketing activities, thereby distinguishing us from our peers in the PRC isotopes and irradiation technology application field.

In order to meet the needs of the Company for future development and to address market demands, we are implementing various expansion plans. In order to increase our production capacity of imaging diagnostic and therapeutic radiopharmaceuticals and UBT products, we are proactively building our new manufacturing facilities. The construction of two new modern production, research and development bases in Hebei Province and Sichuan Province are proceeding successively, which is expected to strengthen our research and development and production capability, satisfy the needs for standardized and large-scale production and operation of imaging diagnostic and therapeutic radiopharmaceuticals, and cater for the growing imaging diagnostic and therapeutic radiopharmaceuticals market in China. Meanwhile, in addition to the 26 centers we originally plan to establish before 2023, supported by the industry-related policy and according to the actual circumstances of our business developments, the number of pharmaceuticals centers we use to produce and sell technetium-99m labeled injections and fluorine-18-FDG injections will further increase, which will help form a network layout covering major cities nationwide. Among them, the three bases under construction are expected to be put into commercial production commencing from the first half of 2019, which we believe can meet the growing demand of the population centers in China for radiopharmaceuticals with relatively shorter half-life period. In addition, in order to expand the existing production capacity of UBT kits and analyzers, we are currently in the process of constructing two new-type UBT products manufacturing bases located in Shenzhen and Tongcheng, of which the new production base in Tongcheng has commenced trial production in December 2018.

Meanwhile, we have placed abundant resources 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 in order to promptly develop and introduce new products and services that can meet market demands, while keeping pace with the medical and industrial application of radioactive isotopes.

The Group will adhere to the core values of "focusing on customers' value, keeping improvement, making effective innovation, pursuing solidarity and being responsible". Driven by the corporate vision of "becoming the world-class supplier of nuclear technology application products and services", the Group will take the measures of "controlling the source, developing the financing business and focusing on research and development" to promote the integration of culture and management philosophy, achieve the reasonable allocation of resources, insist on collectivized operation, proactively implement the dual-asset strategic development, pay equal attention to product-based operation and asset-based operation and promote independent development and introduction of technologies simultaneously, so as to achieve the rapid development of the Company, further enhance the position of the Group in the domestic nuclear technology application industry and build it into a reputable enterprise with influence in the international isotopes and irradiation industry.

FINANCIAL REVIEW

Revenue

We derived our revenue mainly from 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 21.2% from RMB2,672.0 million for the year ended 31 December 2017 to RMB3,238.0 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 20.1% from RMB787.3 million in 2017 to RMB945.5 million during the Reporting Period, which was mainly due to an increase in cost of sales of our pharmaceuticals segment and radioactive source products segment.

Our gross profit increased by 21.6% from RMB1,884.8 million for the year ended 31 December 2017 to RMB2,292.5 million during the Reporting Period and our gross margin increased from 70.5% to 70.8%. The increase in gross margin was primarily due to higher gross margin of our pharmaceuticals segment with higher proportion of revenue in our total revenue.

Other Income

Our other income increased by 145.4% from RMB36.0 million in 2017 to RMB88.3 million in 2018, primarily due to an increase in net exchange gains during the Reporting Period mainly as a result of an increase in the Hong Kong dollar-denominated funds raised from our listing in 2018 due to the effect of changes in foreign exchange rates.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 19.0% from RMB1,094.7 million in 2017 to RMB1,302.3 million in 2018, which was primarily due to an increase in our sales service fees and staff costs as of the expanded operational scale of our radiopharmaceuticals products.

As a percentage of revenue, selling and distribution expenses decreased slightly from 41.0% in 2017 to 40.2% in 2018.

Administrative Expenses

Our administrative expenses increased by 35.8% from RMB296.0 million in 2017 to RMB401.9 million in 2018, mainly due to (i) the increased staff costs resulting from our expanded operational scale, (ii) the increased promotion expense for the listing of the Company, and (iii) the increased impairment losses on trade and other receivables.

As a percentage of revenue, administrative expenses increased from 11.1% in 2017 to 12.4% in 2018.

Finance Costs

Our finance costs increased by 9.3% from RMB7.1 million in 2017 to RMB7.8 million in 2018, which was mainly attributable to increased finance costs recognised for provision of accretion of decommissioning liabilities and the defined benefit plan.

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 104.9% from RMB14.8 million in 2017 to negative RMB0.7 million in 2018, mainly due to the losses derived from our associate, Shenzhen CICAM. Our share of profits of a joint venture increased by 23.3% from RMB20.2 million in 2017 to RMB25.0 million in 2018, mainly due to an increase in profits from our joint venture, Shanghai GMS Pharmaceutical Co., Ltd.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 24.2% from RMB558.0 million in 2017 to RMB693.1 million in 2018.

Income Tax

Our income tax increased by 27.6% from RMB82.3 million in 2017 to RMB105.1 million in 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 14.8% and 15.2% in 2017 and 2018, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 23.6% from RMB475.6 million in 2017 to RMB588.1 million in 2018.

FINANCIAL POSITION

Overview

For the year ended 31 December 2018, the total assets of the Group increased significantly. The total assets, the total liabilities and the total equity were RMB6,864.8 million, RMB2,561.6 million and RMB4,303.2 million, respectively.

Net Current Assets

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

RMB in million

	31 December 2018	31 December 2017
Trading securities	**—**	0.1
Inventories	**342.7**	263.0
Trade and bill receivables	**1,708.8**	1,507.2
Prepayments, deposits and other receivables	**197.3**	210.7
Income tax recoverable	**—**	0.1
Cash at bank and on hand	**2,599.6**	1,478.8
Total Current Assets	**4,848.4**	3,459.9
Trade payables	**169.8**	198.0
Accruals and other payables	**1,872.8**	1,606.5
Contract liabilities	**0.2**	1.8
Provisions	**68.0**	64.6
Income tax payable	**79.7**	45.3
Total Current Liabilities	**2,190.5**	1,916.2
Net Current Assets	**2,657.9**	1,543.7

Our net current assets increased by 72.2% from RMB1,543.7 million as of 31 December 2017 to RMB2,657.9 million as of 31 December 2018, which was mainly due to an increase in cash from the proceeds raised from our listing.

Adjusted Net Gearing Ratio and Quick Ratio

Our adjusted net gearing ratio (adjusted net debt (interest-bearing debt plus unaccrued proposed dividends) divided by adjusted equity (all components of equity less unaccrued proposed dividends) was 9.1% and 4.4% as of 31 December 2017 and 31 December 2018, respectively.

Our quick ratio (total current assets excluding inventories divided by total current liabilities as of the same date) was 1.7 times and 2.1 times as of 31 December 2017 and 31 December 2018, respectively.

Analysis of Cash Flows

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

	RMB in million	
	Year ended 31 December	
	2018	2017
Net cash generated from operating activities	**577.7**	429.8
Net cash used in investing activities	**(455.4)**	(437.5)
Net cash generated from financing activities	**1,227.0**	228.4
Net increase in cash and cash equivalents	**1,349.3**	220.7
Cash and cash equivalents at the beginning of the year	**1,139.2**	918.6
Effect of changes in foreign exchange rate	**52.8**	(0.1)
Cash and cash equivalents at the end of the year	**2,541.3**	1,139.2

Trade and Other Receivables

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses. As of 31 December 2018, our trade and other receivables (net of bad debt allowance of RMB157.7 million) were RMB1,804.9 million.

Trade and Other Payables

Our trade and other payables mainly consist of trade payables and accruals and other payables, which include receipts in advance, other taxes payables, deposits from distributors, payables to distributors, payables for staff-related costs, dividends payables and other accruals and payables. As of 31 December 2018, our trade and other payables were RMB2,042.6 million.

Bank Loans

In 2017, a subsidiary of the Group borrowed a five-year loan which carries interest at a rate of 5.0% above the five-year benchmark lending rate per annum of the People's Bank of China ("**PBOC**"). As of 31 December 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, plant and equipment and intangible assets. In 2018, our capital expenditures were RMB610.2 million.

Contingent Liabilities

As of 31 December 2018, we did not have any material contingent liabilities.

Pledge of Assets by the Group

As at 31 December 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 shareholders of the subsidiary, and the Group's certain land lease prepayments with carrying amount of RMB25.8 million, and time deposits with original maturity over three months of RMB18.0 million as at 31 December 2018 were pledged as security for such bank loan.

Foreign Exchange and Foreign Exchange Risk

During the year ended 31 December 2018, the Group was exposed to currency risk primarily through bank deposits denominated in foreign currency, which were primarily Hong Kong dollars. The Group monitors foreign exchange movements and determines exchange when necessary. The Group currently has no foreign exchange hedging policy.

Credit Risk

In order to 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 credit amount, we carry out research into their creditability and assess their credit quality and define credit limits for that customer. Our individual credit evaluations focus on the customer's historical payment records, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements 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

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

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

Our Board will propose declaration of dividend, if any, in Renminbi with respect to the Shares on a per Share basis for Shareholders' approval. We will pay such dividend in Renminbi. According to the Articles of Association of the Company, all of our Shareholders are equally entitled to dividend and distribution. 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 31 December 2018.

SUBSEQUENT EVENTS

On 18 January 2019, the Company entered into an equity transfer agreement with Tibet Huajin Tianma Equity Investment Partnership (Limited Partnership)* (西藏華金天馬股權投資合夥企業 (有限合夥)) (the "**Junan Seller**"), Tibet Juzhi Venture Investment Co., Ltd.* (西藏聚智創業投資有限公司) and Ningbo Junan Pharmaceuticals Technology Co., Ltd.* (寧波君安藥業科技有限公司) ("**Ningbo Junan**"), pursuant to which the Company has agreed to acquire 100% equity interest in Ningbo Junan from the Junan Seller at a consideration of RMB80,000,000 (equivalent to HK$92,800,000). Upon completion of the equity transfer agreement, Ningbo Junan will become a wholly-owned subsidiary of the Company.

On 28 January 2019, CNNC High Energy Equipment (Tianjin) Co., Ltd (中核高能 (天津) 裝備有限公司), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Accuray Asia Limited, an American company, pursuant to which, both parties have agreed to establish a joint venture in China for production and sale of high-end radiotherapy equipment. The Company holds 51% equity interest in the joint venture and the joint venture will become a subsidiary of the Group with its results to be consolidated into the financial statements of the Group.

On 29 March 2019, the Company and Chengdu Gaotong Isotope Co., Ltd. (CNNC) (成都中核高通同位素股份有限公司), ("**CNGT**", a subsidiary of the Company) entered into an equity acquisition agreement in respect of Beijing Leike Mechatronic Engineering Technology Co., Ltd. (北京市雷克機電工程技術有限公司) ("**Leike Mechatronic**") with Beijing Yuanke Technology Development Co., Ltd. (北京原科技術開發有限公司) (the "**Leike Seller**") and China Institute of Atomic Energy (中國原子能科學研究院), pursuant to which CNGT has agreed to acquire 100% equity interest in Leike Mechatronic from the Leike Seller at a consideration of RMB51,002,000. Upon completion of the equity acquisition agreement, Leike Mechatronic will become a subsidiary of the Group.

LISTING EXPENSES

The total listing expenses (as expensed) incurred were RMB10.4 million for the year ended 31 December 2018.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 6 July 2018, H shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1763). Based on the offer price of HKD21.60 per H share and upon the partial exercise of the over-allotment option (100 Shares), the net proceeds that the Group received from the global offering were approximately HKD1,690.0 million after deduction of the underwriting commissions and other related expenses in relation to the global offering. As at 31 December 2018, current assets of approximately RMB71.67 million were used and approximately RMB51.40 million was used in selective mergers and acquisitions.

Given that:

(i) the application of the PRC nuclear technologies become increasingly diverse with broader market space;

(ii) the penetration rate of the medical application of the PRC nuclear technologies is far lower than that in developed countries, and driven by factors including enhanced health awareness of citizens, increased average lifespan, aging population and favourable governmental policies, the potential of enhancing the penetration rate becomes prominent and the market demand is expected to grow fast; and

(iii) due to the accelerated integration of the PRC nuclear technology medical application market, the Group, as the leading enterprise in the industry, is in urgent needs to supplement its production capability and accelerate the deployment of the upstream resource supply and the downstream application scenarios.

In order to fully capture the growth and integration opportunities in the industry, solidify and increase market share, the Group intends to make strategic amendments to the original plan to accelerate strategic investment and merger, optimize the deployment of financial resources and improve the utilisation efficiency of funds. Based on the aforesaid factors, the Board of the Group resolved to change the original plan as follows:

(1) the net proceeds to be used for investment in imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases and for establishment of subsidiaries to produce and distribute technetium-99m-labeled injections and fluorine-18-FDG injection will be reduced to approximately RMB460.0 million.

    In order to optimise the regional layout of the above production, research and development and distribution facilities, accelerate the construction progress and increase the utilisation efficiency of funds, the scope of site selection for the imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases in North China (North China Base) is to be expanded from Xianghe, Hebei Province to the North China region according to the latest strategic planning of the Group.

(2) the net proceeds to be used for establishment of new production facilities in Tongcheng, Anhui Province will be reduced to approximately RMB50.0 million.

(3) the net proceeds to be used for investment in the research and development of various imaging diagnostic and therapeutic radiopharmaceuticals, raw materials of radioactive source products, medical radioisotopes, and UBT products and related raw materials will be reduced to approximately RMB118.3 million.

According to the latest strategic planning of the Group, the Group will become market-oriented and focus on the preparation of radioisotopes, the research and development of nuclide labeled radiopharmaceuticals, the research and development of isotope diagnostic reagents and auxiliary apparatuses and research and development projects in radioactive sources and industrial applications (including without limitation, those disclosed in the Prospectus).

(4) the net proceeds to be used for investment/selective acquisition (merger) will increase to approximately RMB536.1 million, which mainly represent strategic, expansionary and complementary investments in the upstream and downstream of the industry, focusing on the deployment of medical equipment, irradiation processing, featured pharmaceuticals, independent testing, diagnostic reagents and therapeutic drugs, industrial application of radioactive sources, accelerators and other fields.

(5) the net proceeds to be used for working capital and general corporate purposes will increase to approximately RMB268.1 million, mainly including payment of daily operating expenses, payment of cash dividends to Shareholders and replenishment of working capital of members by way of entrusted loans. Details of the change in the use of net proceeds are as follows:

(Approximately RMB in millions)

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

The Group will transfer the relevant proceeds to the project contractors in forms including investments/selective acquisitions (including without limitation, equity investments, acquisitions and mergers, capital increase, new establishments, etc.) entrusted loans and entrusted research and development.

The aforesaid changes in the use of the net proceeds from the global offering will enable the Company to more effectively deploy its financial resources.

The Board is of the view that such changes can help implement the strategic planning and optimise the utilisation efficiency of funds. The Board confirmed that there is no material change in the business nature of the Group as disclosed in the Prospectus of the Group and that the aforesaid changes in the use of the net proceeds from the global offering are in the best interest of the Company and its Shareholders taken a whole.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 2,176 employees as at 31 December 2018. During the year ended 31 December 2018, our staff costs (including directors' remuneration but excluding contributions to any pension plan) were approximately RMB400.6 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 of the Group. The employee remuneration policy of the Group is determined after taking into account the overall salary level in the industry, employees' performance and other factors. The management regularly reviews the employee remuneration policy and arrangement of the Group.

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

We provide training to all of our employees to have them equipped with the necessary skills to perform their jobs competently and to give them the opportunities to 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 employees develop their full potential. Development opportunities are provided as a result of on-the-job training and formal training programs.

HEDGING ACTIVITIES

During the year ended 31 December 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (where appropriate).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

As the H Shares of the Company were listed on the Stock Exchange on 6 July 2018, the CG Code was not applicable to the Company for the year ended 31 December 2018. The Board is of the view that from the Listing Date to 31 December 2018, the Company has complied with all applicable code provisions as set out in the CG Code.

The Company has also put in place certain recommended best practices as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by all Directors, Supervisors and employees who are likely in possession of inside information of the Company.

Having made specific enquiry to the Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2018. No incident of non-compliance with the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

As at 31 December 2018, the Board comprised 9 Directors, consisting of 3 executive Directors, namely Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin; 3 non-executive Directors, namely Mr. Zhou Liulai, Mr. Luo Qi and Mr. Wang Guoguang, and 3 independent non-executive Directors, namely Mr. Guo Qingliang, Mr. Meng Yan and Mr. Hui Wan Fai.

Mr. Luo Qi and Mr. Wang Guoguang have resigned as non-executive Directors with effect from 28 March 2019. On 29 March 2019, the Board resolved to propose to appoint Mr. Chen Zongyu and Mr. Chen Shoulei as non-executive Directors, subject to approval from the Shareholders at the forthcoming annual general meeting.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 38 to 46 of this Annual Report.

Save as disclosed in the biographies of Directors set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, none of the Directors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or senior management members.

Attendance Records of Directors and Board Committee Members

The attendance of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2018 is set out below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration and Appraisal Committee	Annual General Meeting	Extraordinary General Meeting[1]
Meng Yanbin	7/7		1/1		1/1	2/2
Wu Jian	7/7				1/1	2/2
Du Jin	7/7				1/1	1/2
Zhou Liulai	7/7	1/1			1/1	2/2
Luo Qi	7/7				0/1	1/2
Wang Guoguang	7/7			1/1	0/1	1/2
Guo Qingliang	7/7		1/1	1/1	1/1	1/2
Meng Yan	7/7	1/1		1/1	1/1	2/2
Chan Ngai Sang Kenny[2]	2/2				1/1	N/A
Hui Wan Fai[3]	4/4	1/1	1/1		N/A	0/1

1 Written resolutions were passed at the 2018 first extraordinary meeting held on 15 May 2018.

2 Mr. Chan Ngai Sang Kenny resigned as an independent non-executive Director on 19 April 2018

3 Mr. Hui Wan Fai was appointed as an independent non-executive Director on the 2018 first extraordinary general meeting held on 15 May 2018

The attendance of Mr. Luo Qi and Mr. Wang Guoguang at the anuual general meeting by their alternates is set out below:

	Attendance/Number of Meetings					
Name of Director (Name of Alternate)	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration and Appraisal Committee	Annual General Meeting	Extraordinary General Meeting
Luo Qi (Zhou Liulai)					1/1	
Wang Guoguang (Meng Yanbin)					1/1	

Apart from regular Board meetings, the chairman of the Board also held one meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive directors on 29 August 2018. All the relevant Directors attended this meeting.

Chairman and Chief Executive Officer

Mr. Meng Yanbin, an executive Director, is the Chairman of the Board while Mr. Wu Jian, an executive Director and general manager, assumes the role of the Chief Executive Officer of the Company. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

From the Listing Date to 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the Shareholders' general meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term of 3 years commencing from the Listing Date.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

The Company will organize relevant training courses for all Directors in due course at the Company's expenses.

From the Listing Date to 31 December 2018, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors from the Listing Date to 31 December 2018 are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Mr. Meng Yanbin	A
Mr. Wu Jian	A
Mr. Du Jin	A
Non-executive Directors	
Mr. Zhou Liulai	A
Mr. Luo Qi	A
Mr. Wang Guoguang	A
Independent Non-executive Directors	
Mr. Guo Qingliang	A
Mr. Meng Yan	A
Mr. Hui Wan Fai	A

Note:

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Appraisal Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Appraisal Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of two independent non-executive Directors and one non-executive Director, including Mr. Hui Wan Fai (chairman), Mr. Meng Yan and Mr. Zhou Liulai.

The terms of reference of the Audit and Risk Management Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Management Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

From the Listing Date to 31 December 2018, the Audit and Risk Management Committee held one meeting to review, in respect of the year ended 31 December 2018, the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit and Risk Management Committee also met the external auditors once on 29 August 2018.

The attendance of the Audit and Risk Management Committee meetings is set out under "Attendance of Directors and Board Committee Members" on page 24.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors and one non-executive Director, including Mr. Meng Yanbin (chairman), Mr. Guo Qingliang and Mr. Hui Wan Fai.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee has adopted a set of nomination procedures of Directors for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

From the Listing Date to 31 December 2018, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 24.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to achieving diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. The above factors are all the consideration factors of measurable objectives. In addition, the consideration factors of measurable objectives also include the rich experience in different business areas of a Director with technical, legal, financial, managerial and audit background. Meanwhile, the Company will consider the above factors according to its own business model and specific needs and finally determine a candidate by combination of his or her specialties, value and the contribution that can be made to the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board has set measurable objectives to implement the Board Diversity Policy and will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and confirmed that the measurable objectives have been achieved.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. From the Listing Date to 31 December 2018, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Meng Yan (chairman), Mr. Wang Guoguang and Mr. Guo Qingliang.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration and Appraisal Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

From the Listing Date to 31 December 2018, the Remuneration and Appraisal Committee met once to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the emoluments of Directors for the Reporting Period are set out in Note 9 to the Financial Statements.

The emoluments of senior management (exclusive of Directors) for the Reporting Period are within the following bands:

Emoluments Band (RMB)	2018 Number of Individuals	2017 Number of Individuals
Less than 500,000	–	–
500,000–800,000	3	3
More than 800,000	–	–
Total	3	3

The Remuneration and Appraisal Committee also made recommendations to the Board on the terms of service contracts or letters of appointment of the new Directors.

The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Board Committee" on page 24.

BOARD OF SUPERVISORS

The Board of Supervisors is responsible for supervising the legality of the performance of duties by the Directors and senior management members of the Company, thus to protect the overall benefits of the Company and shareholders.

As at 31 December 2018, the Board of Supervisors comprised 5 Supervisors, namely Mr. Zhang Qingjun, Mr. Liu Zhonglin, Mr. Chen Shoulei, Mr. Li Guoxiang and Mr. Zhang Yiming. The biographical information of the Supervisors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 43 to 44 of this annual report.

Mr. Chen Shoulei has resigned as a Supervisor with effect from 28 March 2019. On 29 March 2019, the Board resolved to propose to appoint Mr. Zhang Guoping as a Supervisor, subject to approval from the Shareholders at the forthcoming annual general meeting.

Save as disclosed in the biographies of Supervisors set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, none of the Supervisors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or senior management members.

The Board of Supervisors met twice during the year to consider and approve the interim results announcement, the interim report and other resolutions.

The attendance records of the members of the Board of Supervisors are as follows:

Supervisors	Number of meetings attended
Mr. Zhang Qingjun	2/2
Mr. Liu Zhonglin	2/2
Mr. Chen Shoulei	2/2
Mr. Li Guoxiang	2/2
Mr. Zhang Yiming	2/2

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit and Risk Management Committee, assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The principles of the overall risk management work of CIRC: the strategy-oriented principle, the principle of significance and importance, the principle of participation by all, the internal control principle, the principle of comprehensiveness, the principle of significance and the principle of objectiveness.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit and Risk Management Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems from the Listing Date to 31 December 2018.

The Board, as supported by the Audit and Risk Management Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, from the Listing Date to 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, Supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Company has an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management and internal control systems. The risk management and internal controls are self-assessed by the management and reviewed by the Board on an on-going basis. The Company has engaged Shenzhen Dibo Enterprise Risk Management Technology Company Limited (深圳迪博企業風險管理技術有限公司) to conduct a thorough review of the internal control systems of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 74 to 78.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors for the year ended 31 December 2018 amounted to RMB1,600,000, and RMB980,000 is outstanding. An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid RMB
Audit Services	1,600,000
Non-audit services	–
Total	1,600,000

JOINT COMPANY SECRETARIES

Mr. Wu Laishui and Ms. Kam Mei Ha Wendy have been appointed as the Company's joint company secretaries. Ms. Kam Mei Ha Wendy is an executive director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Wu Laishui, the chief accountant, chief legal officer and joint company secretary of the Company, has been designated as the primary contact person at the Company which would work and communicate with Ms. Kam Mei Ha Wendy on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2018, Mr. Wu Laishui and Ms. Kam Mei Ha Wendy have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

GENERAL MEETING

In 2018, the Company convened three general meetings.

On 30 March 2018, the 2017 annual general meeting was convened on-site and eight Shareholders, holding an aggregate of 2,399,061,000 Shares, representing 100% of the Company's total share capital, attended the meeting.

On 15 May 2018, written resolutions of the Shareholders in lieu of the 2018 first extraordinary general meeting of the Company were passed, and eight Shareholders (holding 2,399,061,000 Shares in aggregate, representing 100% of the total Share capital of the Company) signed the resolutions.

On 26 November 2018, the 2018 second extraordinary general meeting of the Company was held on-site with eight authorized representatives of all domestic Shareholders representing 2,399,061,000 Shares in aggregate. The number of H Shares with rights of entrusted voting was 11,204,332 Shares, representing 78.5% of the total number of voting Shares of the Company.

The convening, notifying, holding and voting procedures of the meetings are in compliance with the relevant provisions of the Company Law and the Articles of Association.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

According to the Articles of Association, to convene an extraordinary general meeting or a Shareholders' class meeting, the Shareholders shall follow the following procedures:

(I) The shareholders individually or jointly holding more than 10% of the voting Shares at the meeting sought to be held may sign one or several written requests of identical form of content requesting the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The abovementioned shareholding shall be calculated as of the day on which the written request is made. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, provide a written feedback on whether to agree or not to convene such extraordinary general meeting within ten (10) days upon receipt of such proposal.

(II) In the event that the Board of Directors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after the resolution being made by the Board of Directors. Changes made to the original proposal in the notice shall be approved by relevant Shareholders.

(III) In the event that the Board of Directors refuses to convene the extraordinary general meeting, or gives no feedback within ten (10) days after receiving the proposal, the Shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose, in written form, the convocation of an extraordinary general meeting to the Board of Supervisors.

(IV) In the event that the Board of Supervisors agrees to convene the extraordinary general meeting, a notice on the convocation of such meeting shall be given within five (5) days after receiving the proposal. Changes made to the original proposal in the notice shall be approved by relevant Shareholders.

(V) If the Board of Supervisors fails to give a notice on the convocation of extraordinary general meeting within time limit, it shall be deemed having no intention to convene and preside over the meeting. In this case, the Shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to convene and preside over the meeting by themselves. The convocational procedure shall, to the extent possible, be identical to procedures according to which meeting is to be convened by the Board of Directors.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting at the above requests shall be borne by the Company and deducted from the amount owned by the Company to the delinquent directors.

Putting Forward Proposals at General Meetings

According to the Articles of Association, to convene the Shareholders' general meeting, the Shareholders individually or jointly holding more than 3% of the total voting Shares shall be entitled to propose new resolutions in writing to the Company. The Company shall incorporate the matters falling within the scope of duties of the Shareholders' general meeting into the agenda of such meeting for the consideration.

The contents of the aforesaid proposal shall be in conformity with relevant laws, administrative regulations and the Articles of Association, within the scope of duties of the shareholders' general meeting and with a clear agenda and specific resolutions.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 1 Nansixiang, Sanlihe, Xicheng District, Beijing, China
(For the attention of the Joint Company Secretary)
Fax: +86 10 68512374
Email: ir@circ.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Articles of Association which was effective since the Company's listing on 6 July 2018 has been published on the websites of the Company and the Stock Exchange. On 29 March 2019, the Board resolved to propose to amend the Articles of Association to improve the governance and regulate the operation of the Company. The proposed amendments shall be subject to approval from the Shareholders at the forthcoming annual general meeting. A circular containing the matters on the proposed amendments to the Articles of Association will be dispatched to Shareholders by the Company in due course.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in the section "Management Discussion and Analysis — Dividend Policy" of the annual report of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Meng Yanbin (孟琰彬), aged 50, is currently an executive Director and chairman of the Board, party committee secretary and legal representative of the Company. Before joining the Company, from August 1990 to August 1993, Mr. Meng worked as a technical cadre at Faculty 5 of Research Institute of Physical and Chemical Engineering of Nuclear Industry ("**IPCE**"). From August 1993 to November 2011, he served as assistant director and deputy director of the institution office, director of the foreign trade office, assistant to the president and manager of the foreign trade division and vice president of IPCE. From November 2011 to January 2017, he served as the general manager and deputy secretary of the party committee of China Nuclear (Tianjin) Machinery Co., Ltd. Mr. Meng has served as secretary of the party committee since January 2017, and has served as executive Director, chairman of the Board and legal representative of the Company since February 2017.

Mr. Meng received a Bachelor's Degree in Mechanical Design and Manufacturing at the Mechanical Engineering Department II of the Northeastern University (previously known as Northeastern Institute of Technology) in July 1990, and a master's degree in business administration from Tianjin University in September 2004. Mr. Meng qualified as an assistant engineer in August 1991 and a senior engineer in May 2001. He was awarded the Tianjin Patent Excellence Award (Mobile Radioactive Wastewater Treatment Equipment) and the IPCE Science and Technology Award (First Class) (Mobile Radioactive Wastewater Treatment Equipment) in July 2009 and September 2009, respectively. Mr. Meng was awarded the Special Allowance Expertise Award from the State Council in May 2011 and was selected to participate in the New Entrepreneurs Training Project in Tianjin in January 2014. He was granted Labor Medals by the Tianjin Municipal Defense Industry and Tianjin Government in March 2015 and April 2015, respectively. Mr. Meng has served as a tutor for the student innovative entrepreneurial practice at the Mechanical Engineering Department of Tsinghua University since September 2015. Since August 2016, he has been a council member of Tianjin Institute of Industrial Engineering (天津市工業工程學會理事).

Mr. Wu Jian (武健), aged 56, is currently an executive Director, general manager and deputy secretary of the party committee of the Company. Before joining the Company, Mr. Wu served as assistant engineer of the Isotope Department of CIAE from August 1983 to June 1991. From June 1991 to December 1996, he served as engineer of CIRC. From November 1992 to January 1995, he worked as manufacturing manager and engineer of Shenzhen CICAM Manufacturing Co., Ltd. From January 1997 to April 1998, Mr. Wu served as deputy manager of the foreign operation division of CIRC. From April 1998 to March 2000, he served as assistant of the general manager, manager of the trade division and senior engineer of CIRC. From March 2000 to August 2000, Mr. Wu studied at Suzhou Medical College sponsored by government funding. From June 2001 to May 2002, he was seconded to AEAT Company of the United Kingdom for work and study, and again received government sponsorship. From March 2002 to July 2002, he served as general manager of Shenzhen CICAM Manufacturing Co., Ltd. and from July 2002 to February 2011, he served as deputy general manager of China Isotope Company Limited. From March 2011 to February 2012, Mr. Wu served as a member of the preparation team of the Company. From February 2012 to May 2016, Mr. Wu served as deputy general manager of the Company and has served as general manager and deputy secretary of the party committee of the Company since May 2016, and served as an executive Director of the Company since February 2017. Mr. Wu served as the director of HTA from April 2012 to April 2016 and the chairman of the board of directors of HTA Co., Ltd. ("**HTA**") from April 2016 to June 2017. He has been the director of CNGT from May 2012. He also served as the chairman of the board of directors of Headway from February 2007 to March 2017. From August 2016 to June 2018, he served as the deputy chairman of Beijing Clae-riar Rediosotope Technique Co., Ltd.

Mr. Wu received a Bachelor's Degree in Production Process Automation from Beijing University of Chemical Technology (formerly known as Beijing Institute of Chemical Technology) in June 1991. He received the Executive Master of Business Administration (EMBA) from Renmin University of China in January 2010. Mr. Wu is a professorship senior engineer. In 2008, he was awarded the Outstanding Contributor Capital Operation Award in High Tech Industry by CNNC. In 2013, he was awarded the Special Allowance Expertise Award from the State Council. Since October 2014, he has served as a standing committee member of the 10th and 11th Committee of Chinese Society of Nuclear Medicine. Since July 2016, Mr. Wu served as a standing committee member of the 10th Committee of the Nuclear Medicine Branch of Beijing Medical Association. Since January 2017, he has served as the executive vice president of the sixth Council of China Isotope and Radiation Industry Association.

Mr. Du Jin (杜進), aged 53, is currently an executive Director and chief engineer of the Company. Before joining the Company, from August 1986 to May 1997, Mr. Du served as engineer and associate researcher of the Isotope Department of CIAE. From May 1995 to August 1995, he studied at MAP Medical Technologies, Finland. From March 1996 to September 1996, as a visiting scholar, he worked at the Radioisotope Department of Japan Atomic Energy Research Institute. From June 1997 to January 2002, Mr. Du worked as senior researcher at MAP Medical Technologies Oy, Finland. From February 2002 to June 2006, he served as researcher at the Isotope Department of CIAE, and as a professor of the Joint Radiopharmaceutical Laboratory of Peking University Health Science Center. Mr. Du served as researcher and deputy chief engineer of the Company and its predecessor, China Isotope, from June 2006 to May 2016. From January 2017 to June 2018, Mr. Du served as a director of Shanghai GMS Pharmaceutical, and has been a director of HTA since April 2015. He has served as the chief engineer of the Company since May 2016.

Mr. Du received a Bachelor's Degree in Organic Chemistry Engineering from Wuhan Institute of Technology in July 1986 and a master's degree in inorganic and analytical chemistry from University of Jyvaskyla in Finland in December 1998. He received a doctorate in inorganic and analytical chemistry from University of Jyvaskyla in Finland in August 2001. Mr. Du was awarded second prize in the National Defense Science and Technology Award in November 2002. In 2016, he was awarded the Special Allowance Expertise from the State Council. Mr. Du has been the chairman of the Isotope Specialty Committee of the China Isotopes and Radiation Industry Association since June 2012 and an adjunct researcher with the Isotope Institute of China Nuclear Energy Science Academy since January 2013. He has been a member of the Eighth Committee of the Nuclear Chemistry and Radiochemistry Chapter of the Chinese Nuclear Society since March 2013. Mr. Du has been a member of the Editorial Board of Nuclear Chemistry and Radiochemistry since November 2013 and has served as deputy editor-in-chief of the Fifth Editorial Board of Isotope since October 2014. Since October 2014, he has also served as deputy director of the Sixth Council of the Isotope Branch of China Nuclear Society. From May 2015 to November 2017, Mr. Du served as the deputy leader of the radiopharmaceutical group of the 10th Committee of the Chinese Society Nuclear Medicine. Since December 2015, he has been a standing member of the First Cancer Nuclear Medicine Professional Committee of Chinese Anti-Cancer Association. He has also been a member of the National Committee for Nuclear Energy Standardization (SAC/TC58) and vice committee director of the Radioisotope Technical Committee (SAC/TC58/SC4) since July 2015. Since December 2016, he has been a member of the Fourth Committee on Science and Technology of CNNC and a deputy director of the Specialized Committee of Nuclear Technology Industrialization. Since May 2018, he has acted as a deputy chairman of the Radiopharmaceuticals Branch of China Nuclear Society.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTORS

Mr. Zhou Liulai (周劉來), aged 56, is currently a non-executive Director and vice chairman of the Board of the Company. Before joining the Company, from August 1983 to July 1985, Mr. Zhou worked at the Editing and Publishing Department of the Intelligence Unit under CIAE. From August 1985 to July 1986, he worked as a teacher in Xupu, Hunan Province as a member of the Central Lecturer Group. From August 1986 to November 2002, he served as deputy director, director of the office of academic affairs and assistant director, deputy director, executive deputy director and party committee secretary of the Graduate Department of Nuclear Industry under CNNC and deputy director of Nuclear Industry Training Center. From November 2002 to November 2011, he served as dean of the Nuclear Industry Management Cadre College, director and party committee secretary of the Nuclear Industry Training Center, and vice president of Nuclear Industry Party School. From November 2011 to July 2012, he worked as the secretary of Party Leadership Group and head of the discipline inspection group and deputy general manager of Baoyuan Investment. From July 2012 to December 2018, he worked as the party secretary and vice president of CIAE. From June 2013 to date, he has been the legal representative and a director of Beijing Isotope Unclear Electronic Engineering Co., Ltd. (北京埃索特核電子機械有限公司). From December 2018 to date, he has been a member of the Strategy and Consultancy Committee of CNNC. From December 2018 to date, he has been a consultant with China Nuclear Energy Science Academy. From March 2013 to date, Mr. Zhou has been a non-executive Director and vice chairman of the Board of the Company.

Mr. Zhou obtained a Bachelor's Degree in Computational Mathematics from Peking University in July 1983 and a master's degree in business administration from Tsinghua University in January 2000.

Mr. Luo Qi (羅琦), aged 51, resigned as a non-executive Director and vice chairman of the Board of the Company on 28 March 2019. Before joining the Company, from June 1991 to January 2009, he worked as senior engineer, vice president and professorship senior engineer at NPIC. He has been the president of NPIC since January 2009, and a Director and vice chairman of the Board of the Company till resignation since November 2014.

Mr. Luo was awarded a Master's Degree in Thermophysics from Xi'an Jiaotong University in June 1991. Mr. Luo has the technical title of professorship senior engineer. Mr. Luo is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

Mr. Wang Guoguang (王國光), aged 54, resigned as a non-executive Director of the Company on 28 March 2019. Before joining the Company, from August 1985 to October 1988, Mr. Wang served as a research intern at the radiochemistry department of CIAE. From September 1986 to June 1987, he served as a teacher of the Central Instructor's Group (Hunan group). In 1987, his "Research on Reductive Stripping of Plutonium with Hydroxylamine Nitrate in Centrifugal Separators" (《離心萃取裝置中硝酸羥胺還原反萃鈈的研究》) won third prize of the Ministerial Science and Technology Progress Awards. In 1988, his "Research on Destruction of Hydrazonium Salt by Solvent Treatment and Electrolytic Oxidation" (《溶劑處理及肼鹽電解氧化破壞研究》) won third prize of the Ministerial Science and Technology Progress Awards. In 1991, his "Research on Purification of Products from Degradation of Diluents in Purex Resolvents" (《Purex溶劑中稀釋劑降解產物的淨化研究》) won second prize of the Group's Science and Technology Progress Awards. From October 1988 to June 1999, he served as secretary, deputy chief, chief, assistant director and chief, and deputy head of the Secretariat of the General Office of CNNC. From September 1995 to September 1996, he was the assistant general manager of Qinshan Nuclear Power Company. From July 1999 to November 2001, Mr. Wang served as deputy director of the investment management division of CNNC. From November 2001 to July 2002, he served as deputy director of the general manager division of CNNC. Mr. Wang was honored the title of "'111' Senior Management Talents" in 2006 and received the "Outstanding Contribution Awards for the High and New Technology Industry" (高新技術產業突出貢獻獎) from CNNC in 2007. From July 2002 to February 2011, Mr. Wang served as general manager and acting secretary of China Isotope. From March 2011 to February 2012, Mr. Wang served as head of the preparation team of the Company. From February 2012 to March 2016, he was the Company's general manager and worked as the Company's secretary of party committee from January 2012 to March 2016. Since March 2016 to March 2017, he has been party secretary and deputy director of the nuclear power division of CNNC. From March 2017 to November 2017, he served as the director of the nuclear technology application industry division of CNNC. Since November 2017, he has served as a director of the general office of CNNC.

Mr. Wang received a Bachelor's Degree in Chemistry Engineering from the Chemical Engineering Department of Qingdao Institute of Chemical Technology in July 1985. He received a master's degree in business administration for senior management from University of Texas at Arlington in May 2006. Mr. Wang obtained the Outstanding Contributor Award in High Tech Industry granted by CNNC in March 2008, the Excellent Manager Award in High Tech Industry granted by CNNC in June 2009, the Special Allowance Expertise Award (Engineering Technology) from the State Council in February 2011, and first prize for Progress Award of Science and Technology granted by CNNC in November 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Qingliang (郭慶良), aged 63, is currently an independent non-executive Director of the Company. Before joining the Company, from June 2000 to August 2007, Mr. Guo worked as deputy director of Shandong Provincial Policy Research Office; from August 2007 to January 2013, he served as director of the General Office of the Ministry of Justice, and from January 2013 to May 2016, he served as chairman of China Legal Services (Hong Kong) Limited. Mr. Guo has been the vice president of the Eighth China Notary Association since February 2017. Mr. Guo is currently a member of the Nomination Committee and the Remuneration and Appraisal Committee of the Company.

Mr. Guo obtained a Bachelor's Degree in Laws from Qufu Normal University in June 1983.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Meng Yan (孟焰), aged 63, is currently an independent non-executive Director of the Company. Mr. Meng currently serves as professor and a PhD supervisor at the Accounting College of the Central University of Finance and Economics. Mr. Meng has been an executive director of the Accounting Society of China since June 2007. He has been a member of the China Cost Research Society since March 2011. Mr. Meng served as an independent director of Wanhua Chemical Group Co., Ltd. from August 2009 to February 2016. From April 2012 to March 2018, Mr. Meng was an independent director of COFCO Property (Group) Co., Ltd. (stock code: 000031.SZ). Since June 2005, he has served as an independent non-executive director of Jolimark Holdings Limited (stock code: 02028.HK). Since November 2009, he has served as an independent non-executive director of China Longyuan Power Technology Developing Corporation (stock code: 00916.HK). Since April 2016 to date, he has served as an independent director of Beijing Bus Media Co., Ltd. (stock code: 600386.SH). Since December 2017, he has served as an independent director of Beijing Capital Co., Ltd. (stock code: 600008 SH). Mr. Meng has been an independent executive director of Sinotrans Limited (stock code: 00598 HK) since June 2018. Mr. Meng is currently a member of the Audit and Risk Management Committee of the Company, and president of the Remuneration and Appraisal Committee of the Company.

Mr. Meng obtained a Bachelor's Degree in Accounting and a Master's Degree in Accounting from the Central Institute of Finance and Banking in July 1982 and July 1988, respectively. He also obtained Doctorate degree from the Institute of Fiscal Science under the MOF in August 1997. In September 1993, Mr. Meng was awarded the title of National Excellent Teacher by the State Education Commission and the Ministry of Personnel. In October 1997, he was awarded the Special Government Allowance of the State Council by the State Council. In September 2011, the Ministry of Education awarded him the University Distinguished Teacher.

Mr. Hui Wan Fai (許雲輝), aged 42, is an independent non-executive Director of the Company. Before joining the Company, from August 2006 to July 2010, Mr. Hui served as a managing director of Pacific Alliance Group, and from June 2010 to March 2012, he served as a managing director of The Blackstone Group (HK) Limited. Mr. Hui has been an independent non-executive director of the Greentown China Holdings Limited (Hong Kong Stock Exchange Stock Code: 3900) since April 2012. Mr. Hui has been the managing partner of PAG Consulting Ltd since March 2012.

Mr. Hui obtained a Bachelor's Degree in Business Administration from The University of Hong Kong in 1998 and a Master's degree in International and Public Affairs from The University of Hong Kong in 2002. He also obtained a Master's Degree in Business Administration from INSEAD in 2004. Mr. Hui is a member of the Association of Chartered Certified Accountants, United Kingdom, and holds the qualifications of the Chartered Financial Analyst from the Association for Investment Management and Research, and Associate of HKICS from the Hong Kong Institute of Company Secretaries. Mr. Hui is a permanent resident in Hong Kong and is now ordinarily resident in Hong Kong.

SUPERVISORS

Chairman of the Board of Supervisors

Mr. Zhang Qingjun (張慶軍), aged 48, is a Supervisor and chairman of the Board of Supervisors of the Company. Before joining the Company, Mr. Zhang served as an accountant, assistant director, deputy director, and director in the finance division of the Fourth Research and Design Engineering Corporation of CNNC. From August 2005 to February 2007, he worked at the audit division of CNNC on secondment. From October 2010 to June 2012, he worked as deputy director of the finance division of CNNC. From May 2011 to October 2012, Mr. Zhang served as the Supervisor of the Company. From June 2012 to March 2015, he worked as chief accountant of Sichuan Environmental Protection Engineering (821 Plant), and he has served as deputy director of the finance division of CNNC since March 2015 to date. Mr. Zhang has also served as a Supervisor and chairman of the Board of Supervisors since February 2017.

Mr. Zhang graduated from the Chemical Department of the Shijiazhuang Management Officer Academy in June 1998. He graduated from the Renmin University of China School of Continuing Education in September 2009. Mr. Zhang is a senior accountant, certified public accountant and certified asset appraiser. He has also served as a supervisor of Hualong Pressurized Water Reactor Technology Corporation, Ltd. since January 2016 and has been the chairman of the board of supervisors of Zhonghe New Energy Company Limited (中核新能源有限公司) since September 2017. Mr. Zhang won second prize in the 2013 National Defense Science and Technology Industry Enterprise Management Innovation Achievement Award (中國國防科技工業企業管理創新成果二等獎) and second prize in the CNNC Management Innovation Achievement Award (中核集團管理創新新成果二等獎).

Supervisors

Mr. Liu Zhonglin (劉忠林), aged 50, is a Supervisor of the Company. Before joining the Company, Mr. Liu served as accountant, deputy chief, chief of the finance division, director of finance and auditing division, deputy chief accountant and chief accountant of the Sixth Design and Research Institute of China North Industries Group Corporation from July 1990 to December 2010. From December 2010 to July 2012, he served as the chief accountant of China Weapon Industry Northern Engineering Design Institute Co., Ltd. (中國兵器工業北方工程設計研究院有限公司). From July 2012 to July 2015, he served as the chief accountant of Shandong Special Industrial Group. From July 2015 to date, he served as chief accountant of CIAE. Mr. Liu has been a Supervisor of the Company since February 2017. Mr. Liu received a Bachelor's Degree in financial accounting from Shenyang Institute of Technology in July 1990. Mr. Liu is a senior accountant at researcher level, and a PRC certified public accountant. Mr. Liu was awarded the title of "New Long March Pioneer in North Design Research Institute" (北方設計研究院新長征突擊手) in April 1993. He participated in the Knowledge Contest of Accounting Rules in Hebei Province on behalf of the State Commission of Science and Technology for National Defense Industry (國防科工委) and obtained third prize in June 1995, and was awarded the title of "Outstanding Communist Party Member in North Design Research Institute" in 1999 and 2000.

Mr. Chen Shoulei (陳首雷), aged 53, resigned as a Supervisor of the Company on 28 March 2019. From October 1986 to December 2007, he worked as assistant accountant, accountant of the finance division, vice section chief of the finance section, acting deputy chief, deputy chief, chief of the finance division, and director of the financial assets division in the Fifth Research and Design Institute of the Nuclear Industry. From January 2008 to January 2013 he worked as deputy director and senior accountant in the finance and accounting division of China Nuclear Power Engineering. From January 2013 to March 2016, he worked as director of the supervision and audit division of China Nuclear Power Engineering. Since March 2016, he has been the chief accountant of NPIC.

Mr. Chen received a Bachelor's Degree in Auditing (Accounting) from Wuhan University in July 1995. Mr. Chen is a senior accountant. He was qualified as an assistant accountant in October 1989 and was certified as an accountant in November 1993 and a senior accountant on March 2000.

Mr. Li Guoxiang (李國祥), aged 43, is an employee representative Supervisor of the Company. Before joining the Company, Mr. Li worked with BNIBT from August 1997 to August 1998. From August 1998 to April 2013, he worked as senior engineer and deputy manager of the medical products division of Isotope Corporation. Mr. Li served as deputy manager of the medical application division of the Company from April 2013 to July 2016. He has served as deputy manager (presiding over the Company's business) of the medical application division of the Company since July 2016. Since July 2017, he has been the general manager of Beijing Branch of the Company. Since August 2016, he has been the Company's employee representative Supervisor.

Mr. Li received a Bachelor's Degree in Biochemistry from the College of Applied Biology of the Bioengineering Institute of East China University of Science and Technology in July 1997. Mr. Li is a qualified senior engineer.

Mr. Zhang Yiming (張軼名), aged 37, is an employee representative Supervisor of the Company. Before joining the Company, from July 2006 to July 2012, he worked at Beijing Radiation Safety Technology Center. Mr. Zhang has worked at the safety quality division of the Company since August 2012. From June 2016 to August 2017, he served as the deputy director of China National Nuclear Corporation Dalian Institute of Applied Technology on secondment. Since August 2017, he has served as the deputy director of the safety and quality department of the Company (presiding over the Company's business). Mr. Zhang has been the employee representative Supervisor of the Company since August 2016.

Mr. Zhang obtained a Bachelor's Degree in Electronic Information Engineering from North China Institute of Science and Technology in July 2006 and a Master's degree in Nuclear Energy and Nuclear Technology Engineering from Tsinghua University in June 2012. Mr. Zhang is a senior engineer. His research project, a low background gamma spectrometer analysis device, received a utility model patent which was issued by China State Intellectual Property Office in March 2016.

SENIOR MANAGEMENT

Mr. Wu Jian (武健), aged 56, is an executive Director and general manager of the Company. Please refer to the section above headed "Biographical Detail of Directors, Supervisors and Senior Management — Executive Directors" for details of his biography.

Mr. Wu Laishui (吳來水), aged 45, is the chief accountant, chief legal officer and joint company secretary of the Company. Prior to joining the Company, from April 1997 to November 1997, Mr. Wu was an accountant with Hardware Plastic Products Factory of Shenzhen CNNC Xiehe Industry Company. From November 1997 to April 1998, he served as an accountant of Shenzhen CNNC Xiehe Industry Company. From April 1998 to August 2005, he served as a cashier and accountant of China National Nuclear Corporation (Shenzhen) Limited. From August 2005 to December 2006, he served as deputy chief of the company administrative section of the asset operation division of CNNC. From January 2007 to March 2009, he served as deputy manager of finance division of China National Nuclear Corporation (Shenzhen) Limited. From April 2009 to December 2010, he managed the risk audit division of China Isotope Co., Ltd. From January 2011 to July 2014, he worked as the chief of the audit division of the audit division of CNNC. From July 2014 to December 2015, he worked as chief accountant of the Fourth Research and Design Engineering Corporation of CNNC. Since December 2015, he has served as chief accountant of the Company. Since August 2016, he has served as chief legal officer of the Company. Since April 2016, he has been a director of HTA and CNGT. Since May 2016, he has also served as the legal representative and executive director of China Isotope (Shanghai) Co., Ltd. Since January 2016, he has been a supervisor of CNNC Financial Leasing Company.

Mr. Wu graduated from Shanghai Institute of Building Materials in July 1995, majoring in accounting. Mr. Wu was awarded the title "National Internal Audit Advanced Workers" in 2014. Mr. Wu is a senior accountant and qualified certified public accountant of China, certified tax agent of China. He has received the qualification from the Association of Charted Certified Accountants.

Mr. Du Jin (杜進), aged 53, is an executive Director and chief engineer of the Company. Please refer to the section above headed "Biographical Detail of Directors, Supervisors and Senior Management — Executive Directors" for details of his biography.

Mr. Fan Guomin (范國民), aged 48, is a deputy general manager of the Company. Before joining the Company, Mr. Fan served as the team leader of the fire source team in Section 52 at the Isotope Department of CIAE from July 1995 to July 2001. He served as director of the sales division in the Isotope Department of CIAE from July 2001 to March 2003, and as the director of the marketing division, assistant president, vice president and senior engineer of Isotope Division of HTA from March 2003 to June 2012. He also served as the deputy general manager and senior engineer of Headway from July 2012 to September 2012. From September 2012 to May 2016, he served as the general manager of Headway. Mr. Fan has served as the deputy general manager of the Company since May 2016. Mr. Fan was appointed as the chairman of the board of directors of HTA in June 2017 and the chairman of the board of directors of CNGT in July 2017. From March 2017, he served as the chairman of the board of directors of Headway. Since January 2017, he has been the deputy chairman of Shanghai GMS Pharmaceutical. Since August 2016, he has been the deputy chairman of Beijing Clae-riar Rediosotope Technique Co., Ltd.

Mr. Fan received a Bachelor's Degree in Science (Radiochemistry) from College of Chemistry of Sichuan University (formerly known as Sichuan United University) in July 1995. Mr. Fan is a qualified senior engineer.

Mr. Wang Suohui (王鎖會), aged 44, is a deputy general manager of the Company. Before joining the Company, from July 1997 to March 1999, Mr. Wang served as assistant engineer of the Fourth Research and Design Engineering Corporation of CNNC. From March 1999 to June 2002, he served as supervising engineer of CNNC Star Construction Project Management Co, Ltd. From July 2002 to December 2007, he served as director and senior engineer of the Fourth Research and Design Engineering Corporation of CNNC. From January 2008 to January 2017, he served as principal staff member, deputy chief, chief of the division of plan and development of CNNC. Mr. Wang has served as Deputy General Manager of the Company since January 2017. Mr. Wang has been the chairman of the board of directors of CNNC Tongxing since May 18, 2017. Since May 2017, he has been the chairman of the board of directors of BINE.

Mr. Wang obtained a Bachelor's Degree in Chemical Equipment and Mechanisms from College of Mechanical Engineering of Hebei University of Science and Technology in July 1997. He received a Master's Degree in Nuclear Energy and Nuclear Technology Engineering from Tsinghua University in January 2010. Mr. Wang is a qualified senior engineer.

JOINT COMPANY SECRETARIES

Mr. Wu Laishui (吳來水), aged 45, is the chief accountant, chief legal officer and joint company secretary of the Company. Please refer to the section above headed "Biographical Details of Directors, Supervisors and Senior Management — Senior Management" for details of his biography.

Ms. Kam Mei Ha Wendy (甘美霞), aged 51, is a joint company secretary of the Company. Ms. Kam is an executive director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Kam has over 27 years of experience in corporate secretarial area.

DIRECTORS' REPORT

1. PRINCIPAL BUSINESS

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

2. BUSINESS REVIEW

The business review of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

3. SUBSEQUENT EVENTS

The subsequent events of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

4. FINANCIAL PERFORMANCE

The profits for the year ended 31 December 2018 of the Company and the financial position of the Company then ended are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" and the "Consolidated Statement of Financial Position" in this annual report, respectively.

5. MAJOR RISKS AND OUTLOOK

The operation of the Group is subject to certain risks and uncertainties, some of which are beyond the control of the Group. These risks and uncertainties include domestic and foreign economic trends, the PRC credit policy and foreign exchange policy, movements in relevant laws, rules and law enforcement policies, etc, together with some uncertainties that are unknown and immaterial but will be proved to be material in the future. The discussion and analysis as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business of the Group, a discussion of the principal risks and uncertainties facing the Group, and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to the Consolidated Financial Statements" sections of this annual report respectively. The above sections form part of this report.

6. FINAL DIVIDEND

The Board resolved to declare a final dividend of RMB0.1226 per Share (inclusive of tax) for 2018 (the "**2018 Final Dividend**") to Shareholders whose names appear on the register of members of the Company on 10 July 2019, with a total cash dividend to be distributed of RMB39,216,662.74. The 2018 Final Dividend is expected to be paid in RMB to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares before 28 August 2019. Dividend payable in Hong Kong dollars will be converted from RMB based on the average median price of the exchange rate of Hong Kong dollars against RMB as quoted by the PBOC for the five business days preceding the date of the dividend payment (inclusive). The above dividend distribution proposal is subject to the review and approval by Shareholders at the AGM to be held on 28 June 2019. Details of the dividend distribution will be published after the AGM.

The AGM will be convened by the Company on 28 June 2019. In order to determine the holders of Shares who are eligible to attend and vote at the AGM and receive the 2018 Final Dividend, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 28 June 2019 (both dates inclusive) and from Friday, 5 July 2019 to Wednesday, 10 July 2019 (both dates inclusive), during which periods no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on 28 June 2019 will be entitled to attend and vote at the AGM. Shareholders whose names appear on the register of members of the Company on 10 July 2019 will be entitled to receive the 2018 Final Dividend. In order to be qualified as Shareholders to attend and vote at the AGM, Shareholders of the Company must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office at Room 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 Tuesday, 28 May 2019. In order to be qualified as Shareholders to receive the 2018 Final Dividend (subject to the approval by Shareholders at the AGM), Shareholders must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar (see the address above) (for holders of H Shares) or the Company's registered office (see the address above) (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Thursday, 4 July 2019.

7. PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Company are set out in Note 11 to the "Consolidated Financial Statements" in this annual report.

8. SHARE CAPITAL

At the end of the Reporting Period, the total number of Shares of the Company was 319,874,900 Shares, comprising 239,906,100 Domestic Shares, representing 75.00% of the issued Shares, and 79,968,800 H Shares, representing 25.00% of the issued Shares.

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.

9. RESERVES

Details of the changes in the reserves of the Company during the year are set out in the "Consolidated Statement of Changes in Equity" in this annual report.

10. DISTRIBUTABLE RESERVES

As of 31 December 2018, we had RMB833.3 million in retained profits, as determined under IFRS, available for distribution.

11. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

Details of the use of proceeds from the initial public offering of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report.

12. MAJOR CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its employees, customers and suppliers so as to meet its current or long-term business goals. During the year ended 31 December 2018, there were no material and substantive disputes between the Group and its employees, customers and suppliers.

During the year ended 31 December 2018, revenue from our sales to the five largest customers of the Company accounted for approximately 2.2%, 1.3%, 1.0%, 0.7% and 0.5% of the total revenue of the Company, respectively, totally representing 5.7% of the total revenue of the Company. For the year ended 31 December 2018, the purchase amount from the five largest suppliers of the Company accounted for approximately 5.3%, 5.2%, 3.8%, 3.1% and 2.9% of the aggregate amount of goods procurement and subcontracting purchase and other costs of the Company, respectively, totally representing 20.3% of the total cost of the Company. None of the shareholders, which, to the best knowledge of the Company, own more than 5% of the share capital of the Company, has any interest in the above five largest customers or five largest suppliers. The Company does not constitute a dependence on minority customers and suppliers.

13. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the major subsidiaries, joint ventures and associates of the Company for the year ended 31 December 2018 are set out in Notes 14, 16 and 15 to the "Consolidated Financial Statements" in this annual report, respectively.

14. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the current Directors, Supervisors and senior management of the Company is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report.

15. INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Save as the service contracts, no Directors or Supervisors or entities connected with Directors or Supervisors of the Company have material interests, either directly or indirectly, in any transaction, arrangement or contract of significance to the Company to which the Company, any of its subsidiaries or fellow subsidiaries or its holding company is a party during the Reporting Period based on the information available to the Company.

16. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In 2018, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind paid to Directors by the Company was RMB2,235,000.

In 2018, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind paid to Supervisors by the Company was RMB1,098,000.

In 2018, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind paid to senior management by the Company was RMB5,172,000.

In 2018, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) received by five highest-paid individuals (excluding Directors and Supervisors) was RMB1,839,000.

During the Track Record Period, no incentive payment for joining or having joined the Company was paid or payable to any Directors, Supervisors or the five highest paid individuals by the Company. During the Track Record Period, no remuneration was paid or payable by the Company to any Directors, former Directors, Supervisors, former Supervisors or the five highest paid individuals as compensation for termination of their management positions in any subsidiaries of the Company.

During the Track Record Period, none of the Directors or Supervisors gave up or agreed to give up any remuneration or benefits-in-kind. Save as disclosed above, during the Track Record Period, no other amounts were paid or payable to any Directors, Supervisors or the five highest paid individuals by the Company or any of its subsidiaries.

According to our remuneration policies, the Remuneration and Appraisal Committee will take into account various factors in evaluating the remuneration amount payable to Directors, Supervisors and the relevant employees, including salaries paid by comparable companies, and the term, commitment, duties and performance of the Directors, Supervisors and senior management (as the case may be). In accordance with the arrangements currently in effect, the aggregate amounts of remuneration (excluding any discretionary bonus) paid by the Company to the Directors and Supervisors are approximately RMB2,234,747 and RMB1,097,653 for the year ended 31 December 2018, respectively.

17. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2018, none of the Company, controlling Shareholders of the Company or the companies under the same controlling Shareholders with the Company was a party to any arrangement to entitle the Company's Directors, Supervisors or their respective minor children to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

18. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Directors and Supervisors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date. These service contracts may be terminated pursuant to their respective terms and may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

Supervisors have entered into contracts with the Company in respect of, among other things, compliance with relevant laws and rules, the Articles of Association and the arbitration provisions.

None of the Directors and Supervisors has a service contract with the Company or its subsidiaries which is not determinable within one year without the payment of compensation (other than statutory compensation).

19. DIRECTORS' AND SUPERVISORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2018, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors and chief executive of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

20. APPROVED INDEMNITY PROVISIONS

During the year ended 31 December 2018, the Company had arranged directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Except for such insurances, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong) approved during the Reporting Period and at the time of approval of this report.

21. MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period, except for the employment contracts.

22. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2018, after the reasonable enquiry by the Directors of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 relevant class (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
CNNC[1]	Domestic Shares	Beneficial owner /Interest of controlled corporation	236,150,233(L)	98.43	73.83
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**")[2]	H Shares	Beneficial owner	11,906,400(L)	14.89	3.72
Shanghai Shangshi (Group) Co., Ltd. ("**Shanghai Shangshi**")[2]	H Shares	Interest of controlled corporation	8,006,000(L)	10.01	2.50
Shanghai Pharmaceuticals Holding Co. Ltd ("**SPH**")[2]	H Shares	Interest of controlled corporation	8,006,000(L)	10.01	2.50
Shanghai Pharmaceuticals (HK) Investment Limited ("**SPH HK**")	H Shares	Beneficial owner	8,006,000(L)	10.01	2.50

Shareholder	Class of Shares	Nature of interest	Number of Shares held[5]	Approximate percentage of shareholding in relevant class (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
Beijing State-owned Assets Management Co., Ltd.[3]	H Shares	Interest of controlled corporation	10,899,000(L)	13.63	3.41
Beijing Industrial Developing Investment Management Co., Ltd.	H Shares	Beneficial owner	10,899,000(L)	13.63	3.41
China Structural Reform Fund Corporation Limited	H Shares	Beneficial owner	8,155,000(L)	10.20	2.55
Serenity Capital Management, Ltd.[4]	H Shares	Investment manager	4,801,600(L)	6.00	1.50
Serenity Investment Master Fund Limited	H Shares	Beneficial owner	4,801,600(L)	6.00	1.50

Notes:

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

(2) By virtue of the SFO, SIIC is deemed to be interested in a total of 19,912,400 H Shares, of which 11,906,400 H Shares and 8,006,000 H Shares are held by Sure Advance and SPH HK, each being a controlled corporation of SIIC. As of 31 December 2018, SIIC held 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 held 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) Serenity Investment Master Fund Limited is 100% controlled by Serenity Capital Management, Ltd. By virtue of the SFO, Serenity Capital Management, Ltd. is deemed to be interested in the 4,801,600 H Shares held by Serenity Investment Master Fund Limited.

(5) (L) represents long position.

Save as disclosed above, as of 31 December 2018, the Company is not aware of any other person (other than the Directors, Supervisors or chief executive of the Company) who has an interest or short position, which would be required to be disclosed to the 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 the Company's share capital.

23. INTEREST OF DIRECTORS IN COMPETING BUSINESSES

None of the Directors and their associates directly or indirectly has any interest in the businesses which constitute or may constitute competition with the business of the Company.

24. COMPETING BUSINESSES

CNNC, the controlling Shareholder of the Group, (for the purpose of the descriptions in this sub-section, excluding the Group), is principally engaged in the scientific research and development, construction and production operations in nuclear power, nuclear power generation, nuclear fuel, natural uranium, nuclear environmental protection, non-nuclear civilian products, new energy sources, etc. Although some of the retained businesses of CNNC constitute competition with the Company, such competition is limited.

CNNC's Interests in Certain Excluded Entities

As of 31 December 2018, CNNC was entitled to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of the following entities carrying out business which competes, or is likely to compete, directly or indirectly with our principal businesses (the "**Excluded Entities**"):

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2018)	Principal business	Excluded business	Reason for exclusion
1	China Institute for Radiation Protection ("**CIRP**")	Not applicable, CIRP is a public institute directly controlled and managed by CNNC	Research, development and application in aspects of radiation protection, nuclear emergency and safety, radiological medicine and environmental medicine, nuclear environmental science, radioactive waste management and nuclear facility decommissioning, irradiation technology, environmental protection technology, nuclear electronic information technology, biological material technology, diagnosis and treatment of occupational disease and also provides technical support to national functional departments with respect to radiation protection and nuclear safety.	Irradiation services	The excluded business involves non-operating state-owned assets, which is impractical to be isolated

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2018)	Principal business	Excluded business	Reason for exclusion
2	CIAE	Not applicable, CIAE is a public institute directly controlled and managed by CNNC	Nuclear physics research, reactor engineering research and design, radiochemical research, fast reactor research and design, isotope research, nuclear technology application and research, radiation safety research	Radioactive sources and reactor irradiation services	The excluded business involves non-operating state-owned assets, which is impractical to be isolated
3	NPIC	Not applicable, NPIC is a public institute directly controlled and managed by CNNC	Nuclear power engineering design, integrated equipment supply of nuclear steam supply system, reactor operation and applied research, reactor engineering experimental research, nuclear fuel and materials research, isotope production and nuclear technology services and applications	Isotope reactor irradiation services and sales of radioactive-source-based instruments	The excluded business involves non-operating state-owned assets, which is impractical to be isolated
4	404 Company	100%	Nuclear research and production, uranium conversion, reprocessing of spent fuel, decommission of nuclear facilities and radioactive waste treatment and disposal	Radioactive sources and recycling of radioactive sources	404 Company is mainly engaged in the scientific research and production in the military industry, and the excluded business is not the principal business of 404 Company and is impractical to be isolated
5	China Nuclear Energy Industry Corporation ("**CNEIC**")	100%	Import and export trade of uranium products, nuclear fuel cycling equipment and nuclear power technologies and equipment	Import agency services for radioactive isotopes, radioactive therapeutic apparatus	CNEIC is an integrated platform for the import and export of nuclear power equipment of CNNC, the excluded business is not the principle business of CNEIC and is impractical to be isolated
6	Chengdu Yunke Pharmaceutical Co., Ltd. ("**Yunke Pharm**")	47.89%	Technical research of radiopharmaceuticals, product development, production and sales, technical consultancy and technical services	iodine-125 sealed source and Yunke injection	The controlling shareholder of Yunke Pharm is a listed company which is an Independent Third Party. CNNC has no control over Its decision-making process

Production and Sale of the Raw Materials of Isotopes

Each of CIAE, NPIC and 404 Company is capable of producing the raw materials of isotopes by using its respective nuclear reactors and other facilities. However, as of the Latest Practicable Date, none of CIAE, NPIC and 404 Company produces or plans to produce isotope raw materials. To avoid the potential competition between us and CIAE, NPIC and 404 Company, each of CIAE, NPIC and 404 Company has undertaken to us that if it starts to produce isotope raw materials, the Company will be the exclusive sales agent for such isotope raw materials. The Company will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) when it enters into transactions with CIAE, NPIC and/or 404 Company.

Save as disclosed above, neither our controlling shareholder nor any of our Directors was, as of 31 December 2018, interested in any business which competes or is likely to compete, directly or indirectly, with the Group's principal business and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Non-competition Undertaking

To avoid the potential competition between CNNC and the Group, CNNC issued a non-competition undertaking (the "**Non-competition Undertaking**") to the Company on 16 June, 2018, pursuant to which CNNC shall not, and shall procure that its associates (excluding the Group and Yunke Pharm) not to, engage in any business which, directly or indirectly, competes with the business of the Company, including nuclear medicine products and application service, radioactive source products and application service, irradiation and irradiation facilities related services, independent clinical laboratory services, etc. (the "**Restricted Business**") within the period during which (i) the H Shares of the Company are listed on the Stock Exchange (including the circumstances under which trading of our H Shares is suspended in accordance with the Listing Rules), and (ii) CNNC and its associates (excluding the Group and Yunke Pharm) may, individually or collectively, exercise or control the exercise of not less than 30% of the voting rights or are deemed as the controlling shareholders of the Group.

The above Non-competition Undertaking does not apply in the following circumstances:

(i) CNNC having interests in any member of the Group; and

(ii) CNNC having interests in a company other than the Group, provided that:

   (a) any business (or its related assets) carried out or engaged by such company accounts for less than 10% of the Group's consolidated income and consolidated assets as shown in the most recent audited accounts of the Group;

(b) CNNC and its associates (excluding the Group) have no right to appoint majority of the directors of such company. In addition, there must be at least one shareholder of such company holding more interest than the total interest held by CNNC and its associates, or the company is controlled by a third party; and

(c) CNNC and its associates (excluding the Group) have not controlled the board of directors of the company.

(iii) To the extent that CNNC and/or its associates do not control Yunke Pharm, CNNC and/or its associates directly or indirectly holding the equity interests of Yunke Pharm.

The independent non-executive Directors of the Company have reviewed the compliance and execution of the non-competing deeds and consider that, other than the Company, all parties to the non-competing undertaking letters had complied with their respective non-competing undertakings during the Reporting Period.

25. CONNECTED TRANSACTIONS

Connected Persons

As of 31 December 2018, the following entities with whom we have entered into certain transactions in our ordinary and usual business are our connected persons:

a. CNNC

CNNC directly and indirectly through CIAE, NPIC, CNNC Fund, 404 Company and Baoyuan Investment, holds 73.83% equity interests of our total issued share capital. Therefore, CNNC and its associates will constitute our connected persons under Chapter 14A of the Listing Rules.

b. CNNC Tongxing

The Company and CNNC (through one of its subsidiary) hold 51% and 49% equity interests in CNNC Tongxing, respectively. CNNC is our controlling shareholder. Therefore, CNNC Tongxing and its associates will constitute our connected subsidiary under Chapter 14A.16 of the Listing Rules.

c. Headway

The Company and CNNC hold 54.1% and 27.9% equity interests in Headway, respectively. CNNC is our controlling shareholder. Therefore, Headway is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules, and Headway and its subsidiaries will constitute our connected persons under Chapter 14A of the Listing Rules.

d. CNNCFC

CNNCFC was established on 21 July 1997 by CNNC and CNNC's 25 member units, with a registered capital of RMB2,009.6 million. CNNCFC is a non-bank financial institution which strengthens the centralized management of fund within the CNNC group, improves the fund utilization efficiency and the financial management services for CNNC groups' member units.

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

CNNCFC is subject to the Administrative Measures on Finance Companies within Group Enterprises and other relevant regulations promulgated by PBOC and CBRC. The establishment of such non-bank financial institutions is subject to approval by CBRC and their operation is subject to the ongoing supervision of CBRC. Non-bank financial institutions shall comply with applicable regulations relating to interests rates issued by PBOC and CBRC.

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

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

e. CNNC Financial Leasing Company

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

Connected Transactions in 2018

Save for the property, equipment leasing and related services framework agreement with CNNC ("**Leasing Agreement**") dated 16 June 2018, the Products and Services Supply Framework Agreement with CNNC (the "**Supply Agreement**") dated 16 June 2018, the Products and Services Purchase Framework Agreement with CNNC (the "**Purchase Agreement**") dated 16 June 2018, the exclusive sales agreement with CIAE (the "**Sales Agreement**") in respect of radioactive sources dated 30 August 2016, the Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement with CNNC Tongxing (the "**Cobalt-60 Supply Agreement**") dated 16 June 2018, the consulting services fee framework agreement (the "**Consulting Agreement**") with CNNC Tongxing dated 16 June 2018, the Carbon-14 Raw Materials Supply Framework Agreement with Headway (the "**Carbon-14 Supply Agreement**") dated 16 June 2018, and the Financial Services Framework Agreement with CNNC (the "**Financial Services Agreement**") dated 16 June 2018 as referred to in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions" in the prospectus of the Company dated 22 June 2018 (the "**Prospectus**") which constitute continuing connected transactions of the Group, none of the Company or any of its subsidiaries has entered into material contracts with the Controlling Shareholder or any one of its subsidiaries other than the Group, nor is there any material contract in relation to provision of services between the Group and the Controlling Shareholder or any one of its subsidiaries other than the Group.

During the year ended 31 December 2018, the aggregate consideration paid to CNNC by the Group under the Purchase Agreement exceeded the annual caps (being RMB72 million, as disclosed in the Prospectus) by RMB13.54 million (approximately HK$15.84 million), and the aggregate consideration received by the Company from Headway under the Supply Agreement exceeded the annual caps (being RMB5.50 million, as disclosed in the Prospectus) by RMB3.29 million (approximately HK$3.85 million), which were due to an increase in the purchase of related services from CNNC by CNNC Tongxing for its overseas market expansion and business growth, the increase in the demand for raw materials by Headway to meet its higher production and the increase in its inventories in response to the supply shortage of raw materials in the overseas market. The Directors, including the independent non-executive Directors, are of the view that the transactions under the Agreements were conducted in the ordinary and usual business of the Group, entered into on normal commercial terms, and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. To this end, the Resolution on Ratification of the Exceeded Annual Caps of the Continuing Connected Transactions in 2018 was considered and approved at the first meeting of the second session of the Board of Directors for 2019 on 29 March 2018 to ratify the exceeded annual caps of the continuing connected transactions in 2018. The Directors consider that in respect of the annual caps for the continuing connected transactions under the Agreements, the failure to re-comply with the requirements under Rule 14A.54(1) of the Listing Rules on a timely basis was an unintentional inadvertent oversight. In order to avoid any reoccurrence of similar cases in the future, the Company has taken necessary and additional measures to strengthen the reporting and documentation systems of the Group, including:

1. By taking into account the development of the Company and market conditions, conducting more frequent reviews on the aggregate volume of the Continuing Connected Transactions and checking with the trading department on the forecast over the volume of the Continuing Connected Transactions to avoid the approved annual caps regarding the Continuing Connected Transactions of the Company from being exceeded;

2. Promoting effective communication between different departments of the Company and member companies of the Group, defining the data collection process, so as to assure all necessary requirements of the Listing Rules are complied with;

3. the Group will provide additional and continuous training on connected transactions to Directors, senior management and accounting personnel;

4. the Company will monitor data relating to continuing connected transactions on a monthly basis. If the transaction amount reaches 90% of the annual caps at any time of the year, the senior management would seek advice from the audit committee of the Company and the Board would consider the next steps, including the need to inform the Stock Exchange, to publish any announcement and to seek independent shareholders' approval for an increase in annual cap amount of the Company's continuing connected transactions, if applicable.

	Nature of the transaction	Annual caps for the year ended 31 December 2018 (RMB'000)	Actual amount incurred for the year ended 31 December 2018 (RMB'000)
1	Leasing Agreement	43,000	40,785
2	Supply Agreement	83,100	55,204
3	Purchase Agreement	72,000	85,547
4	Exclusive Sales Agreement	55,080	–
5	Cobalt-60 Supply Agreement	19,400	8,008
6	Consultation Agreement	22,400	18,336
7	Carbon-14 Supply Agreement	5,500	8,791

Non-exempt Continuing Connected Transactions

1. Leasing Agreement

Parties: CNNC (the lessor and service provider); and the Company (the lessee and service recipient).

Principal Terms: The Company entered into a leasing agreement with CNNC on 16 June 2018, pursuant to which we will rent or use a number of properties and equipment from CNNC and/or its associates, and CNNC and/or its associates will provide us with supporting services relating to the properties and equipment and other services. Such properties and equipment are mainly used for our production, operation and management, including but not limited to: (i) office buildings, land and office facilities; (ii) production plants (mainly used to produce technetium-99m labeled injections, fluorine-18-FDG injections and iodine-125 sealed source etc.); (iii) production facilities in relation to waste liquid and gas emissions and treatment services and others; (iv) production equipment (mainly high-power accelerator); (v) common areas and facilities (including kindergarten, water and electricity facilities and other facilities); and (vi) services associated with employee education, safety production and research and development of technologies. The term of the Leasing Agreement commenced on the Listing Date (6 July 2018) and will expire on December 31, 2020, subject to renewal as may be agreed upon by both parties.

2. Supply Agreement

Parties:	CNNC (the purchaser); and the Company (the supplier).
Principal Terms:	The Company entered into a supply agreement with CNNC on 16 June 2018, pursuant to which CNNC and/or its associates would purchase the following products from the Group: radioactive source products, radioactive instruments and pharmaceuticals. The Group will also provide detection, recycling, transportation, reloading and other ancillary services related to the sales of such products and research and development services related to research and development projects. The term of the Supply Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

3. Purchase Agreement

Parties:	The Company (the purchaser); and CNNC (the supplier).
Principal Terms:	The Company entered into a purchase with CNNC on 16 June 2018, pursuant to which CNNC and/or its associates will provide the Group: (i) various types of raw and auxiliary materials, production equipment and other products; (ii) transportation containers (including related design and manufacturing services); (iii) technical testing services; (iv) encapsulation and processing services of cobalt-60 radioactive sources; and (v) scientific research services related to high-end irradiation research and development. The term of the Purchase Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

4. Exclusive Sales Agreement for Radioactive Sources

Parties:	The Company (the purchaser); and CIAE (the supplier).
Principal Terms:	The Company entered into an exclusive sales agreement (the "**Exclusive Sales Agreement for Radioactive Sources Agreement**") in respect of radioactive sources with CIAE on 30 August 2016, pursuant to which the Company will be the exclusive distributor of the standard radioactive sources and non-destructive testing radioactive sources produced by CIAE and/or its associates. The term of the Exclusive Sales Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2019, subject to renewal as may be agreed on by both parties.

5. **Cobalt-60 Supply Agreement**

Parties:	The Company (the purchaser); and CNNC Tongxing (the supplier).
Principal Terms:	The Company entered into a cobalt-60 supply agreement with CNNC Tongxing on 16 June 2018, pursuant to which the Group will purchase cobalt-60 radioactive sources from CNNC Tongxing and/or its associates, and CNNC Tongxing and/or its associates will provide related services such as transportation and reloading in connection with the sales of cobalt-60 radioactive sources. The term of the Cobalt-60 Supply Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

6. **Consultation Agreement**

Parties:	CNNC Tongxing (the service receiver); and the Company (the service provider).
Principal Terms:	The Company entered into a consultation agreement with CNNC Tongxing on 16 June 2018, pursuant to which the Company will provide technical support and consulting services to CNNC Tongxing and/or its associates relating to the distribution channels and customer resources of cobalt-60 radioactive sources, and CNNC Tongxing and/or its associates will pay us consultation service fees. The term of the Consultation Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

7. **Carbon-14 Supply Agreement**

Parties:	Headway (the purchaser); and the Company (the supplier).
Principal Terms:	The Group entered into a carbon-14 supply agreement with Headway on 16 June 2018, pursuant to which the Group will provide Headway and/or its associates with carbon-14 as the raw materials for production of carbon-14 breath-testing medicine boxes. The Group will also provide ancillary services such as packaging and transportation relating to provision of the carbon-14 raw materials. The term of the Carbon-14 Raw Materials Supply Agreement commenced on the Listing Date (6 July 2018) and will expire on 31 December 2020, subject to renewal as may be agreed on by both parties.

8. Financial Services Agreement

Nature of the transaction	Proposed caps for the period from the Listing Date to the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019 (RMB'000)	Actual amount incurred for the year ended 31 December 2018 (RMB'000)
8 Financial Services Framework Agreement with CNNC		
• Deposit services		
(a) Maximum outstanding daily balance	3,082,666	1,041,519
(b) Interest income	45,778	9,250
• Settlement, entrusted loans and other financial services		
(a) Maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC	417,500	25,500
(b) Service fees for settlement, entrusted loans and other financial services	125	7.7
• Finance leasing fees	2,763	–

Parties: The Company (service recipient); and CNNC (service provider)

Principal Terms: The Company entered into a financial services agreement with CNNC on 16 June 2018, pursuant to which CNNC and/or its associates will provide the Group with, among other things, (i) deposits and related services (the "**Deposit Services**"); (ii) entrusted loan, settlement, foreign exchange and other services (the "**Settlement, Entrusted Loan and Other Financial Services**"); and (iii) financial leasing service (the "**Financial Leasing Service**") for certain assets used in the operation of the Group. The Financial Services Framework Agreement commenced on the Listing Date and will expire on the earlier of i) one year from the Listing Date; or ii) 2018 annual general meeting of the Company to be convened in early 2019. The 2019 Financial Services Agreement and the proposed caps are renewed subject to the agreement by both parties and approved by the independent Shareholders at the Company's upcoming annual general meeting on 28 June 2019.

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

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

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

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

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

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

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions of the Company for the year ended 31 December 2018 and confirmed that such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Independent Auditor

Pursuant to Chapter 14A.56 of the Listing Rules, the Company's auditor was engaged by the Board of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company confirmed to the Board of Directors of the Company that the aforesaid continuing connected transactions:

(1) have been approved by the Board of Directors of the Company;

(2) involving the provision of goods and services by the Group were priced in accordance with the pricing policies of the Group stipulated under the relevant agreements governing such transactions;

(3) have been entered into in accordance with the relevant agreements governing such transactions; and

(4) have not exceeded the relevant annual cap as disclosed in the Prospectus of the Company, except for the continuing connected transactions under the Purchase Agreement amounted to RMB85,547,000 during the year ended 31 December 2018 have exceeded the maximum annual value of RMB72,000,000 as disclosed in the Prospectus and the continuing connected transactions under the Carbon-14 Supply Agreement amounted to RMB8,791,000 during the year ended 31 December 2018 have exceeded the maximum annual value of RMB5,500,000 as disclosed in the Prospectus.

The auditor has issued his qualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 59 to 65 of this Annual Report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

26. PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The 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 over-allotment shares were listed and traded on the Main Board of the Stock Exchange on 3 August 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2018.

27. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Company and its subsidiaries did not enter into any agreements in relation to equity-linked products or participate in any arrangement to purchase equity-linked financial products.

28. ARRANGEMENT FOR PRE-EMPTIVE RIGHT AND SHARE OPTION SCHEME

According to the Articles of Association and relevant laws of China, shareholders of the Company have no preemptive right. During the Reporting Period, the Company has no arrangement for pre-emptive right or share option scheme.

29. BANK BORROWINGS

Details of the bank borrowings of the Company are set out in Note 23 to the "Consolidated Financial Statements" in this annual report.

30. REMUNERATION AND EQUITY-INCENTIVE POLICY

The review of the Group's employee and remuneration policy is set out in the section headed "Management Discussion and Analysis" in this annual report. Currently, the Company has no any equity-incentive policy.

31. STAFF RETIREMENT BENEFITS

Details of the employee post-employment benefits of the Company are set out in Note 26 to the "Consolidated Financial Statements" in this annual report.

32. DONATIONS

The Company donated a total amount of RMB110,000 to the poverty relief areas and the poverty-stricken people mainly through local people's governments at the county level or above in 2018.

33. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code during the period from the Listing Date to 31 December 2018. Details are set out in the "Corporate Governance Report" of this annual report.

34. INDEPENDENT AUDITOR

As resolved at the 2018 second extraordinary general meeting of the Company held on 26 November 2018, KPMG was appointed as the international auditor of the Company for the year 2018, to provide relevant overseas audit and review services under the IFRSs, and Jonten Certified Public Accountants (中天運會計師事務所) was appointed as the domestic auditor for 2018. The resolutions regarding appointment of auditors of the Company for the 2019 financial report will be proposed at the forthcoming annual general meeting for consideration and approval.

35. COMPLIANCE WITH RELEVANT LAWS

After the listing on the Main Board of the Stock Exchange, the Company is subject to the Company Law, the Listing Rules, the SFO and other related laws and regulations at home and abroad. The Company complies with the following key regulatory requirements:

The State-owned Assets Supervision and Administration Commission of the State Council, the Supervisory Board for Key Large State-Owned Enterprises and other Chinese government departments (including but not limited to Ministry of Finance, State Administration of Taxation, National Audit Office of the People's Republic of China, State Administration for Industry and Commerce of the People's Republic of China, People's Bank of China, State Administration of Foreign Exchange, Ministry of Human Resources and Social Security of the People's Republic of China and subsidiary organs thereof) have made inquiries and on-site inspection or off-site survey to the Company's compliance with Chinese laws and regulations in terms of state-owned assets management, financial condition and business operation, solvency status, tax payment, foreign exchange management, labour and social welfare, etc.

Compliance with the Listing Rules and the SFO, including but not limited to fulfilling the followings: safe-keeping the register of interests in shares and short positions and the register of interests of Directors, Supervisors and chief executives and short positions, disclosure of inside information etc. The Company has implemented internal control to ensure its compliance with such laws and regulations. To the best of our knowledge, there are not any legal or regulatory procedures or issues that may, in the opinion of the Directors, have material adverse effects on the corporate business, financial condition, business performance or prospects as of the end of Reporting Period.

36. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, including using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in. Discussion on the environmental policies and performance of the Group set out in the "Environmental, Social and Governance Report" for 2018 will be published on 28 June 2019.

37. COMPLIANCE WITH THE OFAC UNDERTAKINGS

During the Reporting Period, the Company has requested its subsidiaries to conduct overseas business in accordance with the Detailed Rules on the Work of the Overseas Risk Management Committee of China Isotope & Radiation Corporation. The Company has kept the relevant OFAC undertakings in the Report Period and will continue doing so in the future daily operation.

38. PUBLIC FLOAT

As of the date of this report, the shares of the Company held by the public accounted for 25% of the total shares of the Company, which complied with the requirements of the Listing Rules as the capital structure of the Company maintained sufficient public float.

39. REVIEW OF ANNUAL REPORT

The Audit and Risk Management Committee has reviewed the Company's annual results of 2018, and the financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards.

40. INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

40.1 Individual investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the dividend received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

According to the Arrangements for the Avoidance of Double Taxation and Prevention of Tax Evasion in Mainland China and Hong Kong (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(國稅函[2006]884號)) signed on 21 August 2006 in relation to income tax, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable; if Hong Kong residents directly hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

40.2 Enterprise

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory. The withholding tax may be relieved under an applicable double taxation treaty.

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the unified rate of 10%. Such withholding tax may be reduced pursuant to applicable tax avoidance under the double taxation treaty.

Pursuant to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends obtained by mainland individual investors from investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the tax rate of 20%. For the dividends obtained by mainland securities investment funds by investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends obtained by mainland enterprise investors from investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on the dividends, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends obtained by mainland resident enterprises from holding relevant H shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company. The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax relieves pursuant to the above provisions.

On behalf of the Board
Meng Yanbin
Chairman of the Board
29 March 2019

SUPERVISORS' REPORT

1. BASIC COMPOSITION OF THE BOARD OF SUPERVISORS

1.1 Basic information

As of 31 December 2018, the Board of Supervisors of the Company consists of five members, namely Mr. Zhang Qingjun, Mr. Liu Zhonglin, Mr. Chen Shoulei, Mr. Li Guoxiang and Mr. Zhang Yiming, among whom Mr. Zhang Qingjun is the chairman of the Board of Supervisors, Mr. Li Guoxiang and Mr. Zhang Yiming are employee representative supervisors. The term of office of supervisors is three years. Supervisors can be re-appointed upon re-election after the term of office expires.

1.2 Changes in supervisors

On 28 March 2019, Mr. Chen Shoulei resigned as a Supervisor. On 29 March 2019, Mr. Zhang Guoping was elected as a Supervisor of the Company at the first meeting of the Board of Supervisors in 2019, subject to the consideration and approval at the AGM to be held on 28 June 2019.

2. MEETINGS OF THE BOARD OF SUPERVISORS

In 2018, the Board of Supervisors convened two meetings, details of which are as follows:

1. The first meeting of the second session of the Board of Supervisors of China Isotope & Radiation was held on 30 March 2018. Mr. Zhang Qingjun, the chairman of the Board of Supervisors, served as the convener. Six resolutions were considered and approved at the meeting, including the 2017 Work Report of the Board of Supervisors of China Isotope & Radiation Corporation (《中國同輻股份有限公司2017年度監事會工作報告》), the work report of the general manager for 2017, the financial budget plan for 2018, the final financial budget report for 2018, the final financial budget report for 2017, the profit distribution plan for 2017 and the internal control appraisal for 2017. The Comprehensive Risk Report of China Isotope & Radiation for 2018 was also reviewed at the meeting.

2. The second meeting of the second session of the Board of Supervisors of China Isotope & Radiation was held on 29 August 2018. Mr. Zhang Qingjun, the chairman of the Board of Supervisors, served as the convener. Four resolutions were considered and approved at the meeting, including the Adjustments to Departmental Duties of the Headquarters of China Isotope & Radiation, the Announcement of Interim Results of China Isotope & Radiation Corporation, the Interim Report of China Isotope & Radiation Corporation, the Interim Report of China Isotope & Radiation Corporation. The resolution on the Procedures for the Administration of the Company's Shares Held by Directors, Supervisors and Senior Management of China Isotope & Radiation Corporation and changes thereof (《中國同輻股份有限公司董事、監事和高級管理人員持有公司股份及其變動管理辦法》) was not approved, as the meeting concluded that solicitation of opinions was required, and further amendments should be made to the resolution. The resolution will be reconsidered and approved by the general meeting upon the completion such actions.

3. BOARD OF SUPERVISORS' PRESENCE ON OTHER MEETINGS

In 2018, the Supervisors of the Company attended three Board meetings and the 2017 annual general meeting, and reviewed a total of 44 Board resolutions for 2018.

4. BASIC EVALUATION OF THE BOARD OF SUPERVISORS ON PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT

During the Reporting Period, with the supervision on the Directors and senior management of the Company, the Board of Supervisors was of the view that the Board of the Company was able to duly perform its duties in strict compliance with the requirements under the Company Law, the Listing Rules, the Articles of Association and the relevant laws and regulations, and to operate in accordance with laws. The major business decision making procedures of the Company were legitimate and effective. The Directors and senior management of the Company performed their duties in strict accordance with the State laws and regulations, the Articles of Association and resolutions of the general meeting and the Board. The Board of Supervisors was not aware of any irregularities of Directors and senior management that are not in the interests of the Company and the Shareholders or have violated laws and regulations.

5. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON OPERATION OF THE COMPANY

5.1 Independent opinions on the financial position of the Company

The financial report of the year is prepared in accordance with International Financial Reporting Standards and has been audited by KPMG, which reflected the actual financial position and operation results of the Company.

5.2 Independent opinions on disclosure of information by the Company

During the Reporting Period, the Board of Supervisors attended the general meeting and the Board meeting and listened to the report about information disclosure. The Board of Supervisors believed that the information disclosure procedures were in compliance with the Administrative Measures on Information Disclosure of China Isotope & Radiation Corporation (《中國同輻股份有限公司信息披露管理辦法》) and complied with the regulatory requirements of the place in which the Company listed.

5.3 Independent opinions on the connected transactions of the Company

During the Reporting Period, the Board of Supervisors conducted supervision on the connected transactions of the Company and was of the view that the approval and disclosure procedure of the connected transactions of the Company were in compliance with the relevant laws and regulations such as the Listing Rules and requirements of the Articles of Association, and the pricing of which was fair and reasonable.

5.4 Independent opinions on the management and use of proceeds of the Company

During the Reporting Period, the Board of Supervisors conducted supervision on the management and use of proceeds of the Company. The Board of Supervisors believed that the Company managed and used the proceeds in strict compliance with the Listing Rules.

6. WORKING PLAN

In 2019, the Board of Supervisors will strictly comply with the relevant requirements under the Company Law, Securities Law, Listing Rules and Articles of Association to further perfect the corporate governance structure of the Company as a legal person and improve the standard of corporate governance. The Board of Supervisors will continually strengthen the implementation of supervision and conduct effective supervision with focus on procuring the implementation of the resolutions passed at the general meeting and the Board meeting, major operational decisions of the Company and financial inspection. It will step up its efforts in supervision of major acquisition of assets, external investment, management and use of proceeds and disclosure of information so as to better safeguard the interests of Shareholders.

On behalf of the Board of Supervisors
Zhang Qingjun
Chairman of the Board of Supervisors
29 March 2019

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF CHINA ISOTOPE & RADIATION CORPORATION

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Isotope & Radiation Corporation ("the Company") and its subsidiaries ("the Group") set out on pages 79 to 176, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(w)(i).

The Key Audit Matter	How the matter was addressed in our audit
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. The amount of sales of goods recognised for the year ended 31 December 2018 is RMB3,014 million and accounted for 93% of total revenue. And the revenue from sales of goods is recognised when the customer obtains control of the promised goods in the contract. We identified the recognition of revenue as a key audit matter because the revenue is one of the key performance indicators of the Group and the Group's business is diversified and from different segments. Therefore, there is inherent risk of material misstatement in revenue recognition.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting the terms of sales contracts with customers from each segment, on a sample basis, and evaluating the conditions of goods acceptance as to whether control over the goods has been passed and performance obligation is satisfied when the Group recognises the revenue, and assessing the Group's timing and value of recognition of revenue with reference to the requirements of the prevailing accounting standards; • inspecting goods delivery notes and logistics records, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts; • inspecting underlying documentation for manual journal entries relating to revenue which were recorded during the year and which met specific risk-based criteria; and • confirming, on a sample basis, the value of sales transactions for the year ended 31 December 2018 directly with customers and inspecting underlying documentation relating to reconciling differences between the transaction amounts confirmed and the Group's accounting records to assess whether the related revenue had been recognised in the appropriate financial period.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man, Simon.

KPMG
Certified Public Accountants

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

29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(Expressed in Renminbi ("RMB"))

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	4	**3,238,019**	2,672,045
Cost of sales		**(945,471)**	(787,259)
Gross profit		**2,292,548**	1,884,786
Other income	5	**88,273**	35,965
Selling and distribution expenses		**(1,302,267)**	(1,094,684)
Administrative expenses		**(401,902)**	(296,014)
Profit from operations		**676,652**	530,053
Finance costs	6(a)	**(7,752)**	(7,095)
Share of profits less losses of associates		**(718)**	14,764
Share of profits of a joint venture		**24,952**	20,242
Profit before taxation	6	**693,134**	557,964
Income tax	7	**(105,076)**	(82,326)
Profit for the year		**588,058**	475,638
Attributable to:			
Equity shareholders of the Company		**322,951**	271,454
Non-controlling interests		**265,107**	204,184
Profit for the year		**588,058**	475,638
Earnings per share	8		
Basic and diluted (RMB)		**1.16**	1.17

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 2(c).

The notes on page 87 to 176 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 29(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Profit for the year		**588,058**	475,638
Other comprehensive income for the year (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of share of profits less losses of an associate		**2,949**	(4,930)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		**(3,462)**	114
Equity investments at FVOCI-net movement in fair value reserves (non-recycling)		**12,495**	—
Other comprehensive income for the year		**11,982**	(4,816)
Total comprehensive income for the year		**600,040**	470,822
Attributable to:			
Equity shareholders of the Company		**335,380**	266,583
Non-controlling interests		**264,660**	204,239
Total comprehensive income for the year		**600,040**	470,822

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 2(c).

The notes on page 87 to 176 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment	11	**1,339,051**	765,845
Investment property		**14,526**	15,592
Lease prepayments	12	**115,925**	63,928
Intangible assets	13	**48,928**	32,176
Goodwill	17	**5,670**	5,670
Interests in associates	15	**85,510**	81,425
Interest in a joint venture	16	**42,917**	38,774
Long-term receivables	28(c)	**32,206**	30,702
Unquoted equity investments	18	**125,491**	47,251
Deferred tax assets	27(b)	**206,128**	155,489
		2,016,352	1,236,852
Current assets			
Trading securities		**–**	104
Inventories	19	**342,706**	263,002
Trade and bill receivables	20	**1,708,834**	1,507,234
Prepayments, deposits and other receivables	21	**197,319**	210,683
Income tax recoverable	27(a)	**–**	86
Cash at bank and on hand	22	**2,599,577**	1,478,833
		4,848,436	3,459,942
Current liabilities			
Trade payables	24	**169,828**	198,016
Accruals and other payables	25	**1,872,817**	1,606,489
Contract liabilities		**184**	1,816
Provisions	28	**67,994**	64,614
Income tax payable	27(a)	**79,652**	45,304
		2,190,475	1,916,239
Net current assets		**2,657,961**	1,543,703
Total assets less current liabilities		**4,674,313**	2,780,555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Borrowings	23(a)	**150,000**	150,000
Deferred income		**45,625**	37,890
Defined benefit retirement obligation	26(a)	**44,596**	40,511
Deferred tax liabilities	27(b)	**8,347**	9
Provisions	28	**113,286**	105,811
Long-term payables		**9,283**	—
		371,137	334,221
Net assets		**4,303,176**	2,446,334
Capital and reserves	29		
Share capital		**319,875**	239,906
Reserves		**3,150,560**	1,629,038
Total equity attributable to equity shareholders of the Company		**3,470,435**	1,868,944
Non-controlling interests		**832,741**	577,390
Total equity		**4,303,176**	2,446,334

Approved and authorised for issue by the board of directors on 29 March 2019.

Name: **Meng Yanbin**
Position: chairman of the board

Name: **Wu Laishui**
Position: chief accountant

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 2(c).

The notes on page 87 to 176 form part of these financial statements.

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital RMB'000 Note29(c)	Capital reserve RMB'000 Note29(d)(i)	PRC Statutory reserve RMB'000 Note29(d)(ii)	Other reserve RMB'000 Note29(d)(iv)	Exchange reserve RMB'000 Note29(d)(v)	Retained profits RMB'000	Sub-total RMB'000	RMB'000	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 2017:										
Profit for the year		–	–	–	–	–	271,454	271,454	204,184	475,638
Other comprehensive income		–	–	–	–	(4,930)	59	(4,871)	55	(4,816)
Total comprehensive income		–	–	–	–	(4,930)	271,513	266,583	204,239	470,822
Issue of ordinary shares		39,906	810,094	–	–	–	–	850,000	–	850,000
Capital contributions from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	23,630	23,630
Appropriation of maintenance and production funds		–	–	–	10,346	–	(10,346)	–	–	–
Utilisation of maintenance and production funds		–	–	–	(7,625)	–	7,625	–	–	–
Appropriation to reserves		–	–	45,894	–	–	(45,894)	–	–	–
Dividends	29(b)	–	–	–	–	–	(175,161)	(175,161)	–	(175,161)
Distributions by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	(196,415)	(196,415)
Balance at 31 December 2017		239,906	859,316	100,754	13,956	338	654,674	1,868,944	577,390	2,446,334

The notes on page 87 to 176 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2018

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 Note29(c)	Capital reserve RMB'000 Note29(d)(i)	PRC Statutory reserve RMB'000 Note29(d)(ii)	Fair value reserve (non-recycling) RMB'000 Note29(d)(iii)	Other reserve RMB'000 Note29(d)(iv)	Exchange reserve RMB'000 Note29(d)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Impact on initial application of IFRS 9 (Note 2(c))		–	–	–	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 2018:											
Profit for the year		–	–	–	–	–	–	322,951	322,951	265,107	588,058
Other comprehensive income		–	–	–	12,495	–	2,949	(3,015)	12,429	(447)	11,982
Total comprehensive income		-	-	-	12,495	-	2,949	319,936	335,380	264,660	600,040
Issue of ordinary shares		79,969	1,294,090	–	–	–	–	–	1,374,059	–	1,374,059
Capital contributions from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	–	42,877	42,877
Appropriation of maintenance and production funds		–	–	–	–	18,439	–	(18,439)	–	–	–
Utilisation of maintenance and production funds		–	–	–	–	(8,160)	–	8,160	–	–	–
Appropriation to reserves		–	–	12,147	–	–	–	(12,147)	–	–	–
Dividends	29(b)	–	–	–	–	–	–	(114,459)	(114,459)	–	(114,459)
Distributions by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(51,859)	(51,859)
Balance at 31 December 2018		319,875	2,153,406	112,901	23,400	24,235	3,287	833,331	3,470,435	832,741	4,303,176

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 2(c).

The notes on page 87 to 176 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before taxation		**693,134**	557,964
Adjustments for:			
Net loss from fair value changes in trading securities		**–**	48
Depreciation and amortisation	6(c)	**73,457**	67,932
Government grants	5	**(4,037)**	(9,026)
Interest income	5	**(19,294)**	(15,904)
Finance costs	6(a)	**7,752**	7,095
Investment income of unquoted equity investments	5	**(1,408)**	(1,683)
Net loss on disposal of property, plant and equipment	5	**149**	1,190
Share of profits less losses of associates		**718**	(14,764)
Share of profits of a joint venture		**(24,952)**	(20,242)
Changes in working capital:			
Increase in inventories	19	**(79,704)**	(37,268)
Decrease in contract assets		**–**	467
Increase in trade and bill receivables	20	**(209,363)**	(292,377)
Decrease/(increase) in prepayments, deposits and other receivables	21	**13,364**	(87,637)
(Decrease)/increase in trade payables	24	**(28,188)**	78,150
Increase in accruals and other payables		**257,837**	286,009
Decrease in contract liabilities		**(1,632)**	(1,356)
Decrease in defined benefit retirement obligation	26	**2,452**	8,217
Increase in long-term payables		**9,283**	—
Increase in provisions		**5,842**	5,621
Cash generated from operating activities		**695,410**	532,436
Income tax paid	27(a)	**(117,700)**	(102,676)
Net cash generated from operating activities		**577,710**	429,760

The notes on page 87 to 176 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

For the year ended 31 December 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Investing activities			
Increase in deposits with banks	22	**(28,985)**	(375,155)
Withdrawal of deposits with banks	22	**318,631**	119,964
Payments for purchase of investment property, plant and equipment, lease prepayments and intangible assets		**(750,982)**	(245,594)
Payments for acquisition of an unquoted equity investment		**(47,040)**	—
Payments for purchase of interest in an associate		**(4,900)**	—
Proceeds from disposal of property, plant and equipment		**1,355**	5,932
Disposal of trading securities		**104**	—
Dividends received from associates		**3,120**	2,252
Dividends received from a joint venture	16	**20,809**	17,475
Dividends received from unquoted equity investments		**1,408**	1,683
Government grants received		**11,772**	20,889
Interests received		**19,306**	15,082
Net cash used in investing activities		**(455,402)**	(437,472)
Financing activities			
Issue of ordinary shares		**1,374,059**	850,000
Capital contributions from non-controlling equity owners of subsidiaries		**42,877**	23,630
Proceeds from borrowings	23	**—**	150,000
Repayments of borrowings	23	**—**	(480,000)
Interests paid	6(a)	**(2,610)**	(2,234)
Dividends paid by the Company to equity shareholders		**(90,503)**	(177,515)
Dividends paid by subsidiaries to non-controlling equity owners		**(96,786)**	(135,514)
Net cash generated from financing activities		**1,227,037**	228,367
Net increase in cash and cash equivalents		**1,349,345**	220,655
Cash and cash equivalents at 1 January	22	**1,139,156**	918,590
Effect of foreign exchange rate changes		**52,843**	(89)
Cash and cash equivalents at 31 December	22	**2,541,344**	1,139,156

The notes on page 87 to 176 form part of these financial statements.

1 Organisation

China Isotope & Radiation Corporation (the "Company") was established on 4 December 2007 in the People's Republic of China (the "PRC") 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 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 HKD21.6 per share by way of initial public offering to Hong Kong and overseas investors. On 3 August 2018, the over-allotment option granted by the Company was partially exercised. The Company issued and allotted an aggregate of 100 H shares at HKD21.6 each. After the issuance and allotment of these shares, the registered and issued ordinary shares of the Company increased to 319,874,900 shares with 79,968,800 H shares being listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— *equity investments (see Note 2(g))*

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

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*
- IFRIC 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.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) 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)	
Increase in fair value reserve (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)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments (continued)*

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

a. *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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

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.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments (continued)*

a. Classification of financial assets and financial liabilities (continued)

	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				
Cash at bank and on hand	1,478,833	–	–	**1,478,833**
Trade and bill receivables	1,507,234	–	(7,763)	**1,499,471**
Other receivables (included in prepayments, deposits and other receivables)	84,248	–	–	**84,248**
	3,070,315	–	(7,763)	**3,062,552**
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)	–	**–**

Note: 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.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Notes 2(g), (l)(i), (o) and (p).

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments (continued)*

a. Classification of financial assets and financial liabilities (continued)

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.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit losses" (ECLs) 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 following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and bill receivables and other receivables), and

— contract assets as defined in IFRS 15 (see Note 2(n)).

For further details on the Group's accounting policy for accounting for credit losses, see Note 2(l)(i).

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	
— Trade and bill receivables	**7,763**
Loss allowance at 1 January 2018 under IFRS 9	**121,943**

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments (continued)*

c. 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.

(ii) 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) IFRS 15, *Revenue from contracts with customers (continued)*

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The transition to IFRS 15 does not have any material impact on retained earnings and reserves and related tax impact at 1 January 2018.

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

a. 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.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) IFRS 15, *Revenue from contracts with customers (continued)*

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.

b. 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.

c. Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 2(w)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see Note 2(n)).

Previously, construction contracts in progress at the end of the reporting period were recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and were presented in the statement of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customer for contract work” (as an liability), as applicable. Progress billings not yet paid by the customers are included in “Trade and bill receivables”.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

“Gross amounts due to customers for contract work” amounting to RMB1,816,000 is now included under contract liabilities.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(iii) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination involving entities not under common control, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(q) or 2(r) depending on the nature of the liability.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate and a joint venture (Note 2(e)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(l)), unless the investment is classified as held for sale.

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(f) and 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

2 Significant accounting policies (continued)

(e) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statements of financial position, investments in associates and joint ventures are stated at the cost less impairment losses (Note 2(l)), unless classified as held for sale.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(l)).

On disposal of a cash generating unit during the periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (continued)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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 (see Note 2(w)(vi)).

— fair value through other comprehensive income (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.

— fair value at profit or loss (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.

2 Significant accounting policies (continued)

(g) Other investments in equity securities (continued)

(A) Policy applicable from 1 January 2018 (continued)

Equity investments

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, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(w)(v).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss. Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity was recognised in profit or loss in accordance with the policies set out in Notes 2(w)(v). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see Note 2(l)(i) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(h) Investment property

Investment property are land and/or buildings which are owned or held under a leasehold interest (Note 2(k)) to earn rental income and/or for capital appreciation. Investment property are stated at cost less accumulated depreciation and impairment losses (Note 2(l)). The investment property are depreciated in accordance with the accounting policy set out in Note 2(i). Rental income from investment property are accounted for as described in Note 2(w)(iv).

2 Significant accounting policies (continued)

(i) Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses (Note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (Note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings and plants	10–45 years
Machinery and equipment	3–20 years
Office equipment	3–15 years
Motor vehicles and others	1–20 years
Leasehold improvement	2–20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (Note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(l)).

2 Significant accounting policies (continued)

(j) Intangible assets (other than goodwill) (continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Patent and know-how	10 years
Royalty	10 years
Software and others	3–12 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Payment made on the acquisition of land held under an operating lease are stated at cost less accumulated amortisation and impairment losses (Note 2(l)). Amortisation is charged to profit or loss on a straight-line basis over the period of lease term.

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following item:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and bill receivables and other receivables); and

— contract assets as defined in IFRS15 (see Note 2(n))

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, 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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

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.

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

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

— lifetime 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 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.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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 90 days past 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);

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

— 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, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(vi) 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.

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income (continued)

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, lease receivable 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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties of the debtor;

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

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

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

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

— For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investment properties;

— lease prepayments;

— intangible assets;

— goodwill; and

— investments in subsidiaries, a joint venture and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting,* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(l)(i) and (ii)).

2 Significant accounting policies (continued)

(l) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment (continued)

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(m)(i)), property, plant and equipment (see Note 2(i)) or intangible assets (see Note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 Significant accounting policies (continued)

(m) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(w).

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(w)).

2 Significant accounting policies (continued)

(n) Contract assets and contract liabilities (continued)

Policy prior to 1 January 2018

In the comparative period, construction contracts in progress at the end of the reporting period were recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and were presented in the statement of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customer for contract work" (as an liability), as applicable. Progress billings not yet paid by the customers are included in "Trade and bill receivables". Amounts received before the related work is performed are presented as "Receipts in advance" in "Accruals and other payables".

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(y)).

2 Significant accounting policies (continued)

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated to "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 Significant accounting policies (continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(t) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it comes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(u) Provisions and contingent liabilities (continued)

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(v) Obligations for reclamation

The Group's obligations for reclamation consist of estimated expenditures for retirement of its radioactive production facilities in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for reclamation based on detailed calculations of the amount and timing of the future expenditures to perform the required work. Estimated expenditures have taken into account of inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for reclamation of radioactive production facilities, which is included in property, plant and equipment. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated using the straight line method over the expected useful life of radioactive production facilities and the liability is accreted to the projected spending date. As changes in estimates occur (such as changes in estimated costs or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are remeasured at the appropriate discount rate and any gain or loss on remeasurement is recognised in profit or loss.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the rendering of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 Significant accounting policies (continued)

(w) Revenue and other income (continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. The change in accounting policy for sales of goods has no impact to opening balances as at 1 January 2018.

(ii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

2 Significant accounting policies (continued)

(w) Revenue and other income (continued)

(ii) Construction contracts (continued)

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(u)(ii).

Revenue for construction contracts was recognised on a similar basis in the comparative period under IAS 11.

(iii) Rendering of services

Revenue from irradiation services and other services rendered is recognised upon the delivery or performance of the services. The change in accounting policy for rendering of services has no impact to opening balances as at 1 January 2018.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and are subsequently recognised in profit or loss over the useful life of the asset.

2 Significant accounting policies (continued)

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group.

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

2 Significant accounting policies (continued)

(z) Related parties (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated in the consolidated financial statements unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgments and estimates

Note 30(d) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment and investment property are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment and investment property regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Obligation for reclamation

The estimation of the liabilities for reclamation and disposal of the radioactive production facilities involves the estimates of the amount and timing of future expenditures as well as rate of inflation and the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production plan, useful life of relevant assets, and level of radioactivity to determine the scope, amount and timing of reclamation and disposal of the radioactive production facilities to be performed. Determination of the effect of these factors involves judgments from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be remeasured at the appropriate discount rate and any gain or loss on remeasurement is recognised in profit or loss.

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in research, development, manufacturing and sale of a broad range of pharmaceuticals and radioactive source products, 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.

(i) Disaggregation of revenue

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

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
— sales of pharmaceuticals	**2,679,584**	2,244,259
— sales of radioactive source products	**334,784**	246,468
— irradiation services	**67,056**	52,991
— technical services	**76,895**	55,253
— revenue from construction contracts	**5,230**	12,953
— independent clinical laboratory services	**65,262**	50,935
— other services	**9,208**	9,186
	3,238,019	2,672,045

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 2(c)).

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in 2018 and 2017. Details of the concentration of credit risk arising from the Group's customers are set out in Note 30(a).

4 Revenue and segment reporting (continued)

(a) Revenue (continued)

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

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB590,000. This amount mainly represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within the next 12 months.

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

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

(b) Segment reporting

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

- Pharmaceuticals: manufacturing and sale of a range of imaging diagnostic and therapeutic radio pharmaceuticals imaging, UBT diagnostic kits and test analyzers, in vitro immunoassay diagnostic reagents and kits and other products.

- Radioactive source products: sale of medical and industrial radioactive source products and technical services.

- Irradiation: provision of irradiation services to manufacturers of medical facilities, pharmaceuticals, cosmetics and food in the PRC for sterilisation purposes, and also design, manufacturing and installation of gamma ray irradiation facilities to irradiation service providers.

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

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Year ended 31 December 2018				
	Pharmaceuticals RMB'000	Radioactive source products RMB'000	Irradiation RMB'000	Independent clinical medical and laboratory services and other businesses RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,693,630	397,633	67,056	74,470	3,232,789
Over time	–	–	5,230	–	5,230
Revenue from external customers	2,693,630	397,633	72,286	74,470	3,238,019
Inter-segment revenue	4,123	21,895	1,348	12,461	39,827
Reportable segment revenue	2,697,753	419,528	73,634	86,931	3,277,846
Reportable segment profit (gross profit)	2,058,987	180,725	31,250	30,532	2,301,494

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	Year ended 31 December 2017				
	Pharmaceuticals RMB'000	Radioactive source products RMB'000	Irradiation RMB'000	Independent clinical medical and laboratory services and other businesses RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,253,758	292,222	52,991	60,121	2,659,092
Over time	–	–	12,953	–	12,953
Revenue from external customers	2,253,758	292,222	65,944	60,121	2,672,045
Inter-segment revenue	2,588	21,178	708	45,447	69,921
Reportable segment revenue	2,256,346	313,400	66,652	105,568	2,741,966
Reportable segment profit (gross profit)	1,676,291	138,526	21,657	61,926	1,898,400

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

	2018 RMB'000	2017 RMB'000
Reportable segment profit (gross profit)	**2,301,494**	1,898,400
Elimination of inter-segment profit (gross profit)	**(8,946)**	(13,614)
Consolidated gross profit	**2,292,548**	1,884,786

(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

	2018 RMB'000	2017 RMB'000
Government grants	**4,037**	9,026
Interest income	**19,294**	15,904
Rental income from operating leases	**8,703**	6,691
Net loss on disposal of property, plant and equipment	**(149)**	(1,190)
Net foreign exchange gain	**52,766**	—
Distributions from unquoted equity investments	**1,408**	1,683
Others	**2,214**	3,851
	88,273	35,965

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	2018 RMB'000	2017 RMB'000
Interests on borrowings	**8,283**	2,234
Less: interest expense capitalised into construction in progress	**(5,673)**	—
	2,610	2,234
Interest accretion on reclamation obligations, net	**3,509**	3,314
Interest cost on defined benefit retirement plans (Note 26)	**1,633**	1,396
Others	**—**	151
	7,752	7,095

The borrowing costs have been capitalised a rate of 4.99% per annum (2017: 0%).

(b) Staff costs

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**347,593**	278,754
Contributions to defined contribution retirement plans	**52,204**	34,163
Expenses recognised in respect of defined benefit retirement plans (Note 26)	**790**	602
	400,587	313,519

6 Profit before taxation (continued)

(c) Other items

	2018 RMB'000	2017 RMB'000 (Note)
Depreciation #		
— property, plant and equipment (Note 11)	**66,202**	62,866
— investment property	**942**	957
Amortisation #		
— lease prepayments (Note 12)	**2,919**	1,660
— intangible assets (Note 13)	**3,394**	2,449
Impairment losses		
— trade receivables (Note 30)	**25,959**	14,538
— other receivables	**4,417**	448
Auditors' remuneration		
— audit services	**2,909**	407
Research and development costs (other than amortisation costs)	**73,035**	73,452
Increase in provisions for reclamation obligations	**5,432**	5,621
Operating lease charges: minimum lease payment #	**7,427**	7,025
Cost of inventories # (Note 19(b))	**801,349**	660,993

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB212,044,000 (2017: RMB199,807,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statement of profit or loss

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

	2018 RMB'000	2017 RMB'000
Current tax		
Provision for the year	**146,917**	113,303
Under provision in respect of prior years	**5,217**	3,474
	152,134	116,777
Deferred tax		
Origination and reversal of temporary differences	**(47,058)**	(34,451)
	105,076	82,326

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**693,134**	557,964
National tax on profit before taxation at PRC statutory tax rate	**173,284**	139,491
Tax effect of non-deductible expenses	**2,288**	2,367
Tax effect of non-taxable income	**(6,406)**	(9,422)
Tax effect of unused tax losses and temporary differences not recognised	**2,325**	2,368
Tax concessions (Note (ii))	**(70,276)**	(47,906)
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised in current year	**(2,452)**	(602)
Under provision in respect of prior years	**5,217**	3,474
Others	**1,096**	(7,444)
Actual tax expense	**105,076**	82,326

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2017: 25%).

(ii) Certain subsidiaries of the Group are approved High and New Technology Enterprises and subject to a preferential PRC Corporate Income Tax rate of 15% during the approved period, subject to fulfillment of recognition criteria.

(iii) A subsidiary of the Group has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar year of 2018 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% (2017: 25%).

(Expressed in RMB unless otherwise indicated)

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB322,951,000 (2017: RMB271,454,000) and the weighted average of 279,123,000 ordinary shares (2017: 232,034,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Ordinary shares at 1 January	**239,906,000**	200,000,000
Effect of issue of ordinary shares	**39,217,000**	32,034,000
Weighted average number of ordinary shares at 31 December	**279,123,000**	232,034,000

The Company did not have any potential dilutive shares in existence during the years ended 31 December 2018 and 2017. Accordingly, diluted earnings per share is the same as basic earnings per share.

9 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2018				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Meng Yanbin	–	262	327	79	668
Mr. Wu Jian	–	262	327	79	668
Mr. Du Jin	–	237	294	76	607
Non-executive directors					
Mr. Wang Guoguang	–	–	–	–	–
Mr. Zhou Liulai	–	–	–	–	–
Mr. Luo Qi	–	–	–	–	–
Independent non-executive directors					
Mr. Meng Yan	–	150	–	–	150
Mr. Chen Yisheng (resigned on 19 April 2018)	–	44	–	–	44
Mr. Guo Qingliang	–	–	–	–	–
Mr. Hui Wan Fai (appointed on 15 May 2018)	–	98	–	–	98
Supervisors					
Mr. Li Guoxiang	–	258	250	73	581
Mr. Zhang Yiming	–	235	212	70	517
Mr. Zhang Qingjun	–	–	–	–	–
Mr. Liu Zhonglin	–	–	–	–	–
Mr. Chen Shoulei	–	–	–	–	–
Total	–	1,546	1,410	377	3,333

9 Directors' and supervisors' emoluments (continued)

	Year ended 31 December 2017				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Meng Yanbin (appointed on 28 February 2017)	—	207	335	52	594
Mr. Wu Jian (appointed on 28 February 2017)	—	201	341	59	601
Mr. Du Jin (appointed on 28 February 2017)	—	219	366	67	652
Non-executive directors					
Mr. Wang Guoguang	—	—	—	—	—
Mr. Zhou Liulai	—	—	—	—	—
Mr. Luo Qi	—	—	—	—	—
Mr. Ye Qin (resigned on 28 February 2017)	—	—	—	—	—
Independent non-executive directors					
Mr. Meng Yan (appointed on 28 February 2017)	—	138	—	—	138
Mr. Chen Yisheng (appointed on 28 February 2017)	—	165	—	—	165
Mr. Guo Qingliang (appointed on 28 February 2017)	—	—	—	—	—
Supervisors					
Mr. Tian Jianchun (resigned on 28 February 2017)	—	28	62	8	98
Mr. Guo Chunsheng (resigned on 28 February 2017)	—	28	78	12	118
Mr. Li Guoxiang (appointed on 28 February 2017)	—	229	261	54	544
Mr. Zhang Yiming (appointed on 28 February 2017)	—	245	122	51	418
Mr. Zhang Qingjun (appointed on 28 February 2017)	—	—	—	—	—
Mr. Liu Zhonglin (appointed on 28 February 2017)	—	—	—	—	—
Mr. Chen Shoulei (appointed on 28 February 2017)	—	—	—	—	—
Total	—	1,460	1,565	303	3,328

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2017: one) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2017: four) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**724**	848
Retirement scheme contributions	**232**	273
Discretionary bonuses	**883**	1,444
Total	**1,839**	2,565

The emoluments of the individuals with the highest emoluments are within the following band:

	2018 Number of individuals	2017 Number of individuals
Nil to HKD 1,000,000	**3**	4

11 Property, plant and equipment

	Buildings and plants RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicles and others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2017	209,650	467,039	46,980	110,789	63,908	207,244	1,105,610
Additions	60	38,910	6,051	2,530	310	173,685	221,546
Disposals	(461)	(5,476)	(1,236)	(1,757)	—	—	(8,930)
Transfer in/(out) from construction in progress	4,167	71	—	—	—	(3,624)	614
At 31 December 2017	213,416	500,544	51,795	111,562	64,218	377,305	1,318,840
At 1 January 2018	**213,416**	**500,544**	**51,795**	**111,562**	**64,218**	**377,305**	**1,318,840**
Additions	**184,215**	**52,988**	**9,642**	**7,407**	**8,486**	**378,049**	**640,787**
Disposals	**(2,096)**	**(7,101)**	**(1,439)**	**(7,534)**	**—**	**(166)**	**(18,336)**
Transfer in from investment property	**223**	**—**	**—**	**—**	**—**	**—**	**223**
Transfer (out)/in from construction in progress	**(129,248)**	**15,814**	**330**	**498**	**—**	**112,606**	**—**
At 31 December 2018	**266,510**	**562,245**	**60,328**	**111,933**	**72,704**	**867,794**	**1,941,514**
Accumulated depreciation:							
At 1 January 2017	(62,332)	(310,803)	(31,636)	(43,810)	(49,269)	—	(497,850)
Charge for the year	(7,098)	(38,088)	(3,243)	(8,683)	(5,754)	—	(62,866)
Written back on disposals	353	4,819	1,149	1,400	—	—	7,721
At 31 December 2017	(69,077)	(344,072)	(33,730)	(51,093)	(55,023)	—	(552,995)
At 1 January 2018	**(69,077)**	**(344,072)**	**(33,730)**	**(51,093)**	**(55,023)**	**—**	**(552,995)**
Charge for the year	**(7,927)**	**(40,388)**	**(3,148)**	**(9,329)**	**(5,410)**	**—**	**(66,202)**
Written back on disposals	**2,110**	**6,329**	**1,382**	**6,913**	**—**	**—**	**16,734**
At 31 December 2018	**(74,894)**	**(378,131)**	**(35,496)**	**(53,509)**	**(60,433)**	**—**	**(602,463)**
Net book value:							
At 31 December 2018	**191,616**	**184,114**	**24,832**	**58,424**	**12,271**	**867,794**	**1,339,051**
At 31 December 2017	144,339	156,472	18,065	60,469	9,195	377,305	765,845

The Group's property, plant and buildings are all allocated in the PRC.

12 Lease prepayments

	2018 **RMB'000**	2017 RMB'000
Cost:		
At 1 January	**71,911**	63,980
Additions	**54,916**	7,931
At 31 December	**126,827**	71,911
Accumulated amortisation:		
At 1 January	**(7,983)**	(6,323)
Charge for the year	**(2,919)**	(1,660)
At 31 December	**(10,902)**	(7,983)
Net book value:	**115,925**	63,928

Lease prepayments mainly represent prepayments for land use rights for land located in the PRC. These land use rights are with lease periods of 30 to 50 years.

13 Intangible assets

	Patents and know-how RMB'000	Royalty RMB'000	Software and others RMB'000	Total RMB'000
Cost:				
At 1 January 2017	7,062	9,480	6,014	22,556
Additions	19,535	—	2,225	21,760
At 31 December 2017	26,597	9,480	8,239	44,316
At 1 January 2018	**26,597**	**9,480**	**8,239**	**44,316**
Additions	**9,476**	**—**	**10,670**	**20,146**
At 31 December 2018	**36,073**	**9,480**	**18,909**	**64,462**
Accumulated amortisation:				
At 1 January 2017	(4,760)	(2,138)	(2,793)	(9,691)
Charge for the year	(690)	(798)	(961)	(2,449)
At 31 December 2017	(5,450)	(2,936)	(3,754)	(12,140)
At 1 January 2018	**(5,450)**	**(2,936)**	**(3,754)**	**(12,140)**
Charge for the year	**(727)**	**(758)**	**(1,909)**	**(3,394)**
At 31 December 2018	**(6,177)**	**(3,694)**	**(5,663)**	**(15,534)**
Net book value:				
At 31 December 2018	**29,896**	**5,786**	**13,246**	**48,928**
At 31 December 2017	21,147	6,544	4,485	32,176

The amortisation charges are included in "cost of sales" in the consolidated statement of profit or loss.

14 Investments in subsidiaries

	2018 RMB'000	2017 RMB'000
Unlisted shares, at cost	**600,901**	271,605
Listed shares, at cost	**146,085**	146,085
	746,986	417,690
Less: impairment loss	**3,700**	3,700
	743,286	413,990

The following list contains only the particulars of subsidiaries as at 31 December 2018 which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of the company	Place of establishment	Issued and fully paid-up capital RMB	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Beijing North Institute of Biological Technology Co. Ltd. 北京北方生物技術研究所有限公司	The PRC	18,000,000	100%	100%	–	Production and sale of bio-pharmaceuticals
Beijing Clae-riar Rediosotope Technique Co., Ltd. (Note (ii)) 北京雙原同位素技術有限公司	The PRC	4,000,000	34.14%	–	50%	Production and sale of radioactive sources
Shanghai Yuanzi Kexing 上海原子科興藥業有限公司	The PRC	84,320,000	47.80%	–	70%	Sale of radioactive medicine
Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. 深圳市中核海得威生物科技有限公司	The PRC	25,000,000	47.76%	34.10%	20%	Production and sale of bio-pharmaceuticals
HTA (Guangzhou) Isotope Pharmaceutical Co., Ltd. 廣州市原子高科同位素醫藥有限公司	The PRC	16,800,000	54.62%	–	80%	Production and sale of radioactive medicine
HTA Co., Ltd. (Note (iii)) 原子高科股份有限公司	The PRC	132,560,000	68.28%	68.28%	–	Application of nuclear technology
Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd. 安徽養和醫療器械設備有限公司	The PRC	7,750,000	47.76%	–	100%	Medical diagnostic equipment manufacturing
Chengdu Gaotong Isotope Co., Ltd. (Note (iii)) 成都中核高通同位素股份有限公司	The PRC	40,000,000	90.38%	90.38%	–	Application of nuclear technology

14 Investments in subsidiaries (continued)

Name of the company	Place of establishment	Issued and fully paid-up capital RMB	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd. 中核同興（北京）核技術有限公司	The PRC	30,000,000	51%	51%	–	Application of nuclear technology
Beijing CIC Clinical Laboratory 北京中同藍博臨床檢驗所有限公司	The PRC	10,000,000	100%	100%	–	Independent clinical laboratory services

Notes:

(i) The official names of all these entities are in Chinese. The English translation of these entities are for identification only.

(ii) The Group is exposed, or has rights, to variable returns from its involvement with these companies and has the ability to affect those returns through its power over these companies since their establishments.

(iii) These subsidiaries represent companies limited by shares established in the PRC. Other subsidiaries are companies with limited liability established in the PRC.

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any intercompany elimination.

HTA Co., Ltd	2018 RMB'000	2017 RMB'000
NCI percentage	**31.72%**	31.72%
Current assets	**542,478**	529,000
Non-current assets	**631,794**	430,679
Current liabilities	**(356,545)**	(277,894)
Non-current liabilities	**(97,480)**	(91,845)
Net assets	**720,247**	589,940
Carrying amount of NCI	**228,462**	187,129

14 Investments in subsidiaries (continued)

	2018 RMB'000	2017 RMB'000
Revenue	**646,299**	604,194
Profit for the year	**184,745**	182,904
Other comprehensive income for the year	**(1,413)**	175
Profit and other comprehensive income allocated to NCI	**58,153**	58,073
Dividend paid to NCI	**16,820**	27,331

Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.	2018 RMB'000	2017 RMB'000
NCI percentage	**52.24%**	52.24%
Current assets	**1,242,509**	1,044,526
Non-current assets	**417,212**	236,561
Current liabilities	**(1,045,361)**	(908,726)
Non-current liabilities	**(162,300)**	(168,801)
Net assets	**452,060**	203,650
Carrying amount of NCI	**236,156**	106,387

	2018 RMB'000	2017 RMB'000
Revenue	**1,236,324**	963,848
Profit for the year	**276,155**	212,916
Profit allocated to NCI	**144,263**	111,227
Dividend paid to NCI	**14,494**	141,048

14 Investments in subsidiaries (continued)

Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd.	2018 RMB'000	2017 RMB'000
NCI percentage	**52.24%**	52.24%
Current assets	**242,549**	225,357
Non-current assets	**34,592**	15,952
Current liabilities	**(143,063)**	(139,189)
Non-current liabilities	**—**	—
Net assets	**134,078**	102,120
Carrying amount of NCI	**70,042**	53,347

	2018 RMB'000	2017 RMB'000
Revenue	**224,484**	179,245
Profit for the year	**81,959**	68,388
Profit allocated to NCI	**42,815**	35,726
Dividend paid to NCI	**26,120**	27,687

15 Interests in associates

The following list contains only the particulars of a material associate of the Group, which is an unlisted entity whose quoted market price is not available:

Name of the company	Place of establishment	Issued and fully paid-up capital	Group's effective interest	Principal activities
Shenzhen CICAM Isotope Co., Ltd. 深圳西卡姆同位素有限公司*	The PRC	USD 1,000,000	49%	Production and sale of fire detector

* The English translation of the name is for identification only. The official name of the entity is in Chinese.

15 Interests in associates (continued)

The Group's associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Shenzhen CICAM Isotope Co., Ltd.	2018 RMB'000	2017 RMB'000
Gross amounts		
Current assets	**140,281**	159,184
Non-current assets	**11,024**	17,533
Current liabilities	**(12,401)**	(30,288)
Non-current liabilities	**(667)**	(2,672)
Net assets	**138,237**	143,757

	2018 RMB'000	2017 RMB'000
Gross amounts		
Revenue	**57,208**	230,328
Profit for the year	**(11,691)**	20,295
Other comprehensive income	**6,170**	(10,066)
Total comprehensive income	**(5,521)**	10,299
Reconciled to the Group's interests		
Gross amounts of net assets of the associate	**138,237**	143,757
Group's effective interest	**49%**	49%
Group's share of net assets	**67,736**	70,441
Carrying amount in the consolidated financial statements	**67,736**	70,441

Aggregate information of associates of the Group that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**17,774**	10,984

15 Interests in associates (continued)

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of those associates' profit and total comprehensive income	**5,010**	4,819

16 Interest in a joint venture

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of the company	Place of establishment	Issued and fully paid-up capital	Group's effective interest	Principal activities
Shanghai GMS Pharmaceutical Co., Ltd. 上海欣科醫藥有限公司*	The PRC	USD 1,530,000	49%	Production and sales of bio-pharmaceuticals

* The English translation of the name is for identification only. The official name of the entity is in Chinese.

Shanghai GMS Pharmaceutical Co., Ltd., the only joint venture in which the Group participates, is a private company of which market value is not available.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 RMB'000	2017 RMB'000
Shanghai GMS Pharmaceutical Co., Ltd.		
Current assets	**182,833**	162,117
Non-current assets	**23,367**	23,691
Current liabilities	**(115,222)**	(105,703)
Non-current liabilities	**(3,392)**	(975)
Net assets	**87,586**	79,130

16 Interest in a joint venture (continued)

	2018 RMB'000	2017 RMB'000
Gross amounts		
Revenue	**255,620**	227,515
Profit and total comprehensive income	**50,923**	41,312
Dividend received	**20,809**	17,475
Reconciled to the Group's interest		
Gross amounts of net assets	**87,586**	79,130
The Group's effective interest	**49%**	49%
The Group's share of net assets	**42,917**	38,774
Carrying amount in the consolidated financial statements	**42,917**	38,774

17 Goodwill

	RMB'000
Cost and carrying amount:	
At 1 January 2017, 31 December 2017 and 31 December 2018	**5,670**

Goodwill is allocated to the Group's cash-generating units identified according to operation and operating segment as follows:

	RMB'000
Pharmaceuticals	**4,586**
Irradiation	**1,084**
	5,670

The recoverable amount of the goodwill is determined based on value-in-use calculations.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rates and the cash flows are discounted using pre-tax discount rates as set out below.

17 Goodwill (continued)

	2018 RMB'000	2017 RMB'000
Estimated weighted average growth rate	0%	0%
Pre-tax discount rate	7.9%	7.9%

18 Unquoted equity investments

	Note	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)	(i)			
— Unquoted equity investments		125,491	61,791	—
Available-for-sale financial assets	(ii)			
— Unquoted equity investments		—	—	47,251
		125,491	61,791	47,251

Notes:

(i) The unquoted equity investments are shares in CNNC Financial Leasing Co., Ltd. ("CNNC Financial Leasing Company") and CNNC Finance Co., Ltd. ("CNNC Finance Company"), two related parties under CNNC. The Group designated its investments in CNNC Financial Leasing Company and CNNC Finance Company at FVOCI (non-recycling), as the investments are held for strategic purposes. The Group increased investments in CNNC Financial Leasing Company and CNNC Finance Company amounting to RMB40,000,000 and RMB7,040,000, respectively, during the year. And the Group received dividends of RMB1,408,000 from CNNC Finance Company during the year (2017: nil).

(ii) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at 1 January 2018 (see Note 2(c)(i)).

19 Inventories

(a) Inventories comprise:

	2018 RMB'000	2017 RMB'000
Raw materials	**120,860**	119,540
Work in progress	**64,431**	60,641
Finished goods	**124,185**	65,531
Others	**33,963**	18,023
	343,439	263,735
Less: write down of inventories	**733**	733
	342,706	263,002

(b) The analyses of the amounts of inventories recognised as expenses and included in the consolidated statement of profit or loss are as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**801,349**	660,993

20 Trade and bill receivables

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Bill receivables	**41,062**	22,341	22,341
Trade receivables due from			
— related parties under CNNC	**19,443**	16,522	16,522
— associates and a joint venture	**65,281**	46,168	46,168
— third parties	**1,730,249**	1,536,383	1,536,383
	1,856,035	1,621,414	1,621,414
Less: loss allowance	**147,201**	121,943	114,180
	1,708,834	1,499,471	1,507,234

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade and bill receivables (see Note 2(c)(i)).

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

20 Trade and bill receivables (continued)

Aging analysis

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

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**1,527,367**	1,352,610
1 to 2 years	**128,294**	118,193
2 to 3 years	**33,567**	22,516
Over 3 years	**19,606**	13,915
	1,708,834	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.

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 30(a).

21 Prepayments, deposits and other receivables

	2018 RMB'000	2017 RMB'000
Receivables from sale of property, plant and equipment		
— CNNC	**13,120**	13,120
— related parties under CNNC	**4,258**	4,258
Advance to		
— CNNC	**327**	—
— related parties under CNNC	**5,217**	2,489
— associates and a joint venture	**653**	1,164
— third parties	**22,298**	13,873
Deposits (Note (ii))	**26,795**	26,879
Deductible input VAT	**30,519**	23,550
Staff advance	**3,426**	5,079
	106,613	90,412
Less: allowance for doubtful debts	**10,517**	6,164
Financial assets measured at amortised cost	**96,096**	84,248
Prepayments for purchase of inventories from		
— related parties under CNNC	**8,157**	4,588
— associates and a joint venture	**1**	53
— third parties	**93,065**	105,758
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares	**—**	16,036
	197,319	210,683

Notes:

(i) All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

(ii) Deposits mainly represent rental deposit, deposits made to obtain land use rights and deposits for bidding.

22 Cash at bank and on hand and other cash flow information

(a) Cash at bank and on hand comprised:

	2018 RMB'000	2017 RMB'000
Cash on hand	**89**	125
Cash at bank	**1,958,839**	933,406
Cash at CNNC Finance Company	**640,649**	545,302
	2,599,577	1,478,833
Representing:		
Cash and cash equivalents	**2,541,344**	1,139,156
Time deposits with original maturity over three months (Note 23(a))	**49,401**	339,047
Restricted deposits (Note (i))	**8,832**	630
	2,599,577	1,478,833

Note:

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

22 Cash at bank and on hand and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2018 RMB'000	2017 RMB'000
At 1 January 2018	**150,000**	480,000
Changes from financing cash flows:		
Proceeds from new bank loans	**–**	150,000
Repayment of bank loans	**–**	(20,000)
Repayment of other borrowings	**–**	(460,000)
Other borrowing costs paid	**(2,610)**	(2,234)
Total changes from financing cash flows	**(2,610)**	(332,234)
Other changes:		
Interest paid (Note 6 (a))	**2,610**	2,234
Total other changes	**2,610**	2,234
At 31 December 2018	**150,000**	150,000

23 Borrowings

(a) The long-term borrowings comprised:

	2018 RMB'000	2017 RMB'000
Bank loan		
— secured (Note (i))	**150,000**	150,000

Notes:

(i) Secured bank loan represented a five-year loan borrowed by a subsidiary of the Group, bearing an interest rate of 5.0% above the PBOC five year benchmark lending rate per annum, which was jointly guaranteed by the shareholders of the subsidiary, and certain of the Group's land lease prepayments with carrying amount of RMB25,780,000 (2017: RMB26,772,000) and time deposits with original maturity over three months of RMB18,000,000 (2017:RMB18,000,000) were pledged as security for the bank loan.

(b) The long-term borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
After 2 years but within 5 years	**150,000**	150,000

24 Trade payables

	2018 RMB'000	2017 RMB'000
Trade payables due to		
— related parties under CNNC	**50,569**	53,191
— associates and a joint venture	**4,542**	7,569
— third parties	**114,717**	137,256
	169,828	198,016

24 Trade payables (continued)

(a) Aging analysis

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

	2018 RMB'000	2017 RMB'000
Within 1 year	**134,101**	175,613
1 to 2 years	**22,632**	22,403
2 to 3 years	**13,095**	—
	169,828	198,016

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

25 Accruals and other payables

	2018 RMB'000	2017 RMB'000
Deposits from distributors (Note (i))	**461,011**	391,250
Payables to distributors (Note (ii))	**866,786**	708,154
Payables for staff related costs	**139,698**	120,596
Dividends payables	**79,676**	100,647
Other taxes payables	**56,785**	51,048
Other accruals and payables:		
— CNNC	**1,101**	801
— related parties under CNNC	**7,717**	22,617
— associates and a joint venture	**1**	1
— third parties	**171,428**	122,366
Total financial liabilities measured at amortised cost	**1,784,203**	1,517,480
Contract liabilities:		
— related parties under CNNC	**22,767**	9,287
— associates and a joint venture	**159**	166
— third parties	**65,688**	79,556
	1,872,817	1,606,489

25 Accruals and other payables (continued)

Notes:

(i) The balances represent deposits from distributors for ordering goods which will be repaid to distributors after the trade receivables have been paid by customers. These deposits are unsecured, interest free and have no fixed repayment terms.

(ii) The balances represent service fee and bonus payables to distributors.

(iii) All of the accruals and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

26 Employee retirement benefits

(a) Defined benefit retirement plans

In addition to the government-mandated basic pension and medical program, the Group provides defined retirement benefits to civil retirees, current retirees and certain eligible active employees (the "Plan"), which covers 37% of the Group's employees as at 31 December 2018 (2017: 41%). The Plan is administered by the Group and funded by the working capital of the Group.

Under the Plan, the qualified retirees and/or employees are entitled to fixed supplemental post-retirement pension benefits, fixed death benefits and supplemental post-retirement medical benefits.

The independent actuarial valuations of the defined benefit retirement obligation at 31 December 2018 were prepared by qualified staff of Towers Watson Management Consulting (Shenzhen) Co., Ltd., Beijing Branch, who are members of the American Academy of Actuaries, using the projected unit credit method.

The Plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk.

Information about the Plan disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2018	2017
	RMB'000	RMB'000
Present value of obligations	**44,596**	40,511

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months. The Group expects the amount of RMB2,333,000 of the defined benefit retirement obligation to be paid in the next twelve months.

26 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

(ii) Movements in the present value of the defined benefit retirement obligation were as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**40,511**	30,898
Remeasurements:		
— actuarial losses arising from changes in financial assumptions	**3,462**	(114)
Benefits paid by the plans	**(2,320)**	(2,168)
Current service cost	**790**	602
Effect of new participants and increase in payment rates	**520**	9,897
Interest expenses	**1,633**	1,396
At 31 December	**44,596**	40,511

The effect of new participants and increase in payment rates is the change in the present value of the defined benefit obligation resulting from expanding the employee groups covered by the Plan and increasing the benefits that are payable after retirement.

(iii) Amounts recognised in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income are as follows:

	2018 RMB'000	2017 RMB'000
Service cost	**790**	602
Net interest on net defined benefit liability	**1,633**	1,396
Total amounts recognised in profit or loss	**2,423**	1,998
Total amounts recognised in other comprehensive income — Actuarial losses	**3,462**	(114)
Total defined benefit costs	**5,885**	1,884

26 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

(iii) Amounts recognised in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income are as follows: (continued)

The service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss:

	2018 RMB'000	2017 RMB'000
Finance costs	1,633	1,396
Administrative expenses	790	602
	2,423	1,998

(iv) Significant actuarial assumptions (expressed as weighted averages) are as follows:

	2018 RMB'000	2017 RMB'000
Discount rates	3.50%	4.25%
Future salary increases	6.00%	6.00%
Annual turnover rates of active employees	5.00%	5.00%

The below analyses show how the defined benefit obligation would have increased (decreased) as a result of 1% change in the significant actuarial assumptions:

	Increase by 1%	
	2018 RMB'000	2017 RMB'000
Discount rates	(6,003)	(5,036)
Future salary increases	3,086	2,341
Annual turnover rates of active employees	(1,687)	(1,315)

26 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

(iv) Significant actuarial assumptions (expressed as weighted averages) are as follows: (continued)

	Decrease by 1%	
	2018	2017
	RMB'000	RMB'000
Discount rates	**7,847**	6,487
Future salary increases	**(2,256)**	(1,732)
Annual turnover rates of active employees	**1,946**	1,509

The above sensitivity analyses is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

Pursuant to the relevant laws and regulations of the PRC, the Company and its subsidiaries participate in defined contribution retirement benefit schemes managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government authorities, whereby these entities are required to contribute to the schemes at a rate of 19% of the employees' basic salaries. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement.

27 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2018	2017
	RMB'000	RMB'000
At 1 January	**45,218**	31,117
Provision for the year	**152,134**	116,777
Income tax paid	**(117,700)**	(102,676)
At 31 December	**79,652**	45,218

27 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and movements are as follows:

	Accruals RMB'000	Provision for impairment of assets RMB'000	Provision for reclamation obligations RMB'000	Fair value change in trading securities RMB'000	Fair value change in unquoted equity investments RMB'000	Depreciation and amortisation RMB'000	Total RMB'000
At 1 January 2017	94,656	16,743	9,651	(21)	–	–	121,029
Credited to profit or loss (Note 7(a))	25,562	1,659	7,218	12	–	–	34,451
At 31 December 2017	120,218	18,402	16,869	(9)	–	–	155,480
Impact on initial application of IFRS9	–	3,043	–	–	(3,635)	–	(592)
At 1 January 2018	**120,218**	**21,445**	**16,869**	**(9)**	**(3,635)**	**–**	**154,888**
Charged/(credited) to profit or loss (Note 7(a))	**46,858**	**6,932**	**(6,194)**	**9**	**–**	**(547)**	**47,058**
Charged/(credited) to reserves	**–**	**–**	**–**	**–**	**(4,165)**	**–**	**(4,165)**
At 31 December 2018	**167,076**	**28,377**	**10,675**	**–**	**(7,800)**	**(547)**	**197,781**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of tax losses of RMB34,766,000 (2017: RMB25,721,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

As at 31 December 2018, tax losses of RMB1,028,000, RMB1,577,000, RMB8,311,000, RMB8,116,000 and RMB15,734,000 will expire, if unused by the end of 31 December 2019, 2020, 2021, 2022 and 2023, respectively.

28 Provisions

(a) The balance of provisions comprised:

	2018 RMB'000	2017 RMB'000
Reclamation obligations (Note(b))	**177,550**	167,105
Others	**3,730**	3,320
	181,280	170,425
Less: current provision	**67,994**	64,614
	113,286	105,811

(b) The movements of the provision for reclamation obligations are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**167,105**	156,736
Increase in estimated cost	**5,432**	5,621
Interest expenses	**5,013**	4,748
At 31 December	**177,550**	167,105

The obligations for reclamation consist of estimated expenditures for retirement of its radioactive production facilities in accordance with the relevant rules and regulations in the PRC. The provision is therefore determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the disposal of the radioactive production facilities becomes apparent in future periods. At the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary.

(c) Long-term receivables

Long-term receivable represents present value of a part of reclamation obligations which is due from CIAE according to the commitment agreement between a subsidiary of the Group and CIAE.

29 Share capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 29(c))	Capital reserve RMB'000 (Note 29(d)(i))	PRC statutory reserve RMB'000 (Note 29(d)(ii))	Fair value reserve (non-recycling) RMB'000 (Note 29(d)(iii))	Other reserve RMB'000 (Note 29(d)(iv))	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2017	200,000	134,809	54,860	–	2,106	(150,940)	240,835
Changes in equity for 2017:							
Total comprehensive income	–	–	–	–	–	457,781	457,781
Issue of ordinary shares (Note 29(c))	39,906	810,094	–	–	–	–	850,000
Appropriation to reserves	–	–	45,894	–	–	(45,894)	–
Appropriation of maintenance and production funds	–	–	–	–	89	(89)	–
Dividends (Note 29(b))	–	–	–	–	–	(175,161)	(175,161)
At 31 December 2017 (Note)	239,906	944,903	100,754	–	2,195	85,697	1,373,455
Impact on initial application of IFRS 9	–	–	–	10,905	–	–	10,905
At 1 January 2018	**239,906**	**944,903**	**100,754**	**10,905**	**2,195**	**85,697**	**1,384,360**
Changes in equity for 2018:							
Total comprehensive income	**–**	**–**	**–**	**12,495**	**–**	**119,890**	**132,385**
Issue of ordinary shares (Note 29(c))	**79,969**	**1,294,090**	**–**	**–**	**–**	**–**	**1,374,059**
Appropriation to reserves	**–**	**–**	**12,147**	**–**	**–**	**(12,147)**	**–**
Appropriation of maintenance and production funds	**–**	**–**	**–**	**–**	**1,981**	**(1,981)**	**–**
Dividends (Note 29(b))	**–**	**–**	**–**	**–**	**–**	**(114,459)**	**(114,459)**
At 31 December 2018	**319,875**	**2,238,993**	**112,901**	**23,400**	**4,176**	**77,000**	**2,776,345**

Note: The Group, including the Company, has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

29 Share capital, reserves and dividends (continued)

(b) Dividends

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

	2018 RMB'000	2017 RMB'000
Interim dividend declared of RMB15 cents per ordinary share (2017: RMB Nil)	47,981	—
Final dividend proposed after the end of the reporting period of RMB12.26 cents per ordinary share (2017:RMB28 cents per ordinary share)	39,217	66,478
	87,198	66,478

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

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

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial years, approved during the year, of RMB28 cents per ordinary share (2017: RMB73 cents per ordinary share)	66,478	175,161

(c) Share capital

	2018		2017	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares issued				
At 1 January	239,906	239,906	200,000	200,000
Shares issued	79,969	79,969	39,906	39,906
At 31 December	319,875	319,875	239,906	239,906

29 Share capital, reserves and dividends (continued)

(c) Share capital (continued)

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

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

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents (i) the proceeds in excess of the par value upon shares issuance received by the Company as disclosed in Note 29(c); and (ii) the amount of carrying amount of the net assets of certain subsidiaries acquired in excess of the consideration paid by the Group, as a result of business combination under common control.

(ii) PRC statutory reserve

In accordance with the relevant PRC laws and regulations and the Company's articles of association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(g)).

(iv) Other reserve

Other reserve represents specific reserve for production and maintenance funds. Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates of relevant production outputs or revenue. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve back to retained profits.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an associate. The reserve is dealt with in accordance with the accounting policies as set out in Note 2(x).

29 Share capital, reserves and dividends (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments for the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings) plus unaccrued proposed dividends. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain the adjusted net debt-to-capital ratio at the lower level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted debt-to-capital ratio at 31 December 2018 and 2017 is as follows:

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities:			
Interest-bearing borrowings	23	**150,000**	150,000
Total debt		**150,000**	150,000
Add: proposed dividends	29(b)	**39,217**	66,478
Adjusted net debt		**189,217**	216,478
Total equity		**4,303,176**	2,446,334
Less: proposed dividends	29(b)	**39,217**	66,478
Adjusted capital		**4,263,959**	2,379,856
Adjusted debt-to-capital ratio		**4%**	9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with sound credit standing, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4% (2017: 3%) and 7% (2017: 7%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the invoice date (or date of revenue recognition, if earlier). Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
With 1 year	1%	1,541,325	(13,958)
1–2 years	12%	146,531	(18,237)
2–3 years	41%	57,065	(23,498)
More than 3 years	82%	111,114	(91,508)
		1,856,035	(147,201)

Expected loss rates are based on actual loss experience over the past 6 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(l)(i) — policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB212,973,000 were individually determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Less than 1 year past due	1,255,703
1 to 2 years past due	124,264
2 to 3 years past due	22,274
More than 3 years past due	6,200
	1,408,441

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

30 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Comparative information under IAS 39 (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
At 31 December under IAS 39	**114,180**	100,285
Impact on initial application of IFRS 9 (Note 2(c)(i))	**7,763**	—
At 1 January	**121,943**	100,285
Amounts written off during the year	**(701)**	(643)
Impairment losses recognised during the year	**25,959**	14,538
At 31 December	**147,201**	114,180

30 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	31 December 2018				
	Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 year but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Borrowings (Note 23)	**7,481**	**7,481**	**159,531**	**174,493**	**150,000**
Trade payables (Note 24)	**169,828**	**—**	**—**	**169,828**	**169,828**
Accruals and other payables (Note 25)	**1,784,203**	**—**	**—**	**1,784,203**	**1,784,203**
Total	**1,961,512**	**7,481**	**159,531**	**2,128,524**	**2,104,031**

	31 December 2017				
	Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings (Note 23)	7,481	7,481	167,012	181,974	150,000
Trade payables (Note 24)	198,016	—	—	198,016	198,016
Accruals and other payables (Note 25)	1,517,480	—	—	1,517,480	1,517,480
Total	1,722,977	7,481	167,012	1,897,470	1,865,496

30 Financial risk management and fair values of financial instruments (continued)

(c) Currency risk

The Group is exposed to currency risk primarily through bank deposits denominated in foreign currency. i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents	**715,956**	–

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
HK Dollars	**10%**	**53,697**	10%	–
	(10%)	**(53,697)**	(10%)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period for presentation purposes.

30 Financial risk management and fair values of financial instruments (continued)

(c) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

(d) Fair values measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each 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.

30 Financial risk management and fair values of financial instruments (continued)

(d) Fair values measurement (continued)

(i) Financial assets measured at fair value (continued)

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 accountant 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 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Unquoted equity investments	125,491	–	–	125,491
	125,491	–	–	125,491

	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 2(c)(i)).

In 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.

30 Financial risk management and fair values of financial instruments (continued)

(d) Fair values measurement (continued)

(i) Financial assets measured at fair value (continued)

Fair value hierarchy (continued)

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	90%	90%

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 31 December 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 RMB1,336,000.

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

	At 31 December 2018 RMB'000
Unquoted equity investments:	
As 31 December 2017 under IAS39	47,251
Impact on initial application of IFRS9 (Note 2(c)(i))	14,540
Adjusted balance at 1 January 2018	61,791
Additional securities acquired	47,040
Changes in fair value recognised in other comprehensive income during the year	16,660
At 31 December 2018 under IFRS 9	125,491

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.

31 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December not provided for in the financial statement were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	**175,531**	106,254
Authorised but not contracted for	**223,301**	76,855
	398,832	183,109

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**16,477**	10,052
After 1 year but within 5 years	**23,354**	23,837
After 5 years	**1,305**	—
	41,136	33,889

None of the leases includes contingent rentals.

32 Material related party transactions

(a) Transaction with related parties

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.

The principle transactions which were carried out in the ordinary course of business are as follows:

	2018 RMB'000	2017 RMB'000
Sale of goods to		
Related parties under CNNC	**54,809**	50,942
Associates and a joint venture	**30,960**	18,267
Service provided to		
Related parties under CNNC	**395**	2,722
Associates and joint venture	**77,230**	64,896
Purchase of goods from		
Related parties under CNNC	**17,679**	7,028
Associates and joint venture	**18,527**	24,171
Purchase of property, plant and equipment from		
Related parties under CNNC	**3,158**	5,815
Service provided by		
CNNC	**300**	300
Related parties under CNNC	**100,744**	87,881
Leases from		
Related parties under CNNC	**4,451**	3,798
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	**95,347**	(10,993)

32 Material related party transactions (continued)

(a) Transaction with related parties (continued)

	2018 RMB'000	2017 RMB'000
Interest income		
Related parties under CNNC	9,250	14,465
Dividend paid to		
CNNC	45,562	90,961
Related parties under CNNC	139,818	168,324
Dividend received from		
Related parties under CNNC	1,408	—
Capital investment in		
Related parties under CNNC	47,040	—
Capital investment from		
CNNC	–	60,000
Related parties under CNNC	–	710,000

(b) Balances with related parties

Details of the outstanding balance with related parties are set out in Notes 20, 21, 22, 24, 25 and 28.

(c) Other related party transactions

The Group entered into two leases in respect of certain leasehold properties from two fellow subsidiaries of the Group. The amount of rental incurred in the year is RMB4,451,000 (2017: RMB3,798,000). No amounts were outstanding as at 31 December 2018 (2017: RMB nil).

(d) Transactions with other government-related entities in the PRC

The Group is a state-owned entities and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "State-owned Entities").

In 2018, the Group had transactions with State-owned Entities including, but not limited to, sales of goods, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these State-owned Entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the counterparties are State-owned Entities. Having due regard to the substance of the relationship, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

32 Material related party transactions (continued)

(e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**2,270**	2,308
Retirement scheme contributions	**609**	575
Discretionary bonuses	**2,293**	3,010
	5,172	5,893

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sale of goods to related parties under CNNC, service provided to related parties under CNNC, purchase of goods from related parties under CNNC, purchase of property, plant and equipment from related parties under CNNC, service provided by CNNC and related parties under CNNC, leases from related parties under CNNC and interest income from related parties under CNNC above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Directors' Report.

Statement of financial position of the Company at 31 December 2018

(Expressed in RMB)

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	**13,639**	15,559
Investment property	**402**	693
Intangible assets	**3,994**	2,242
Investments in subsidiaries	**743,285**	413,990
Interests in associates	**17,773**	10,984
Interest in a joint venture	**41,882**	37,739
Unquoted equity investments	**125,379**	47,140
Deferred tax assets	**24,731**	24,288
	971,085	552,635
Current assets		
Inventories	**51,257**	17,621
Trade and bill receivables	**101,064**	115,223
Prepayments, deposits and other receivables	**441,674**	484,350
Cash at bank and on hand	**1,479,386**	438,532
	2,073,381	1,055,726

Statement of financial position of the Company at 31 December 2018 (continued)

(Expressed in RMB)

	2018 RMB'000	2017 RMB'000
Current liabilities		
Trade payables	**29,574**	34,021
Accruals and other payables	**199,200**	170,630
Income tax payable	**6,937**	6,887
	235,711	211,538
Net current assets	**1,837,670**	844,188
Total assets less current liabilities	**2,808,755**	1,396,823
Non-current liabilities		
Defined benefit retirement obligation	**24,610**	23,368
Deferred tax liabilities	**7,800**	—
	32,410	23,368
Net assets	**2,776,345**	1,373,455
Capital and reserves		
Share capital	**319,875**	239,906
Reserves	**2,456,470**	1,133,549
Total equity	**2,776,345**	1,373,455

(Expressed in RMB unless otherwise indicated)

33 Immediate and ultimate holding company

As at 31 December 2018, the directors of the Company consider the immediate and ultimate holding company of the Group to be CNNC, which is a state-owned enterprise established in the PRC. CNNC does not produce financial statements available for public use.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting year ended 31 December 2018 and which have not been adopted in these financial statements.

These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
Amendments to IAS 28, Long-term interest in associates and joint ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

IFRS 16, *Leases*

As disclosed in Note 2(k), 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. The Group enters into some leases as the lessor and others as the lessee.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (continued)

IFRS 16, *Leases* (continued)

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in Note 31(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB41,136,000, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB36,416,000 and RMB33,238,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

FOUR YEAR SUMMARY

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Results					
Revenue	1	**3,238,019**	2,672,045	2,363,122	2,152,134
Profit from operations	1	**676,652**	530,053	498,361	462,608
Finance costs	2	**(7,752)**	(7,095)	(14,391)	(10,527)
Share of profits less losses of associates		**(718)**	14,764	11,519	17,223
Share of profits of a joint venture		**24,952**	20,242	17,260	16,530
Profit before taxation		**693,134**	557,964	512,749	485,834
Income tax	1,2	**(105,076)**	(82,326)	(78,247)	(75,452)
Profit for the year		**588,058**	475,638	434,502	410,382
Attributable to:					
Equity shareholders of the company		**322,951**	271,454	262,108	254,205
Non-controlling interests		**265,107**	204,184	172,394	156,177
Profit for the year		**588,058**	475,638	434,502	410,382
Assets and liabilities					
Property, plant and equipment		**1,339,051**	765,845	607,760	549,354
Investment property		**14,526**	15,592	16,858	8,316
Lease prepayments		**115,925**	63,928	57,657	47,097
Intangible assets		**48,928**	32,176	12,865	4,699
Goodwill		**5,670**	5,670	5,670	5,670
Interests in associates		**85,510**	81,425	73,847	59,601
Interest in a joint venture		**42,917**	38,774	36,006	42,380
Long-term receivables		**32,206**	30,702	29,267	27,901
Unquoted equity investments	2	**125,491**	47,251	47,251	7,251
Deferred tax assets		**206,128**	155,489	121,050	109,468
Net current assets	1	**2,657,961**	1,543,703	622,275	704,068
Total assets less current liabilities		**4,674,313**	2,780,555	1,630,506	1,565,805
Deferred tax liabilities	1,2	**(8,347)**	(9)	(21)	(20)
Other non-current liabilities		**(362,790)**	(334,212)	(157,027)	(212,135)
NET ASSETS		**4,303,176**	2,446,334	1,473,458	1,353,650

FOUR YEAR SUMMARY (CONTINUED)

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Capital and reserves					
Share capital		**319,875**	239,906	200,000	200,000
Reserves	1,2	**3,150,560**	1,629,038	727,522	647,660
Total equity attributable to equity shareholders of the company		**3,470,435**	1,868,944	927,522	847,660
Non-controlling interests		**832,741**	577,390	545,936	505,990
TOTAL EQUITY		**4,303,176**	2,446,334	1,473,458	1,353,650
Earnings per share Basic and diluted (RMB)		**1.16**	1.17	1.31	1.27

Notes to the four year summary

1. As a result of the adoption of IFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

2. The Group adopted IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by IFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of IFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

DEFINITIONS

"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
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the Board of Directors of the Company
"Board of Supervisors"	the Board of Supervisors of the Company
"China" or "PRC"	the People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"CIRC", "Company", "our Company", "we" or "us"	China Isotope & Radiation Corporation, a joint stock company incorporated in the PRC with limited liability
"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 of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EPC"	engineering, procurement and construction
"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 the 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
"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"	the financial year ended 31 December 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 the Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Shenzhen CICAM"	Shenzhen CICAM Manufacturing Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of our Company
"%"	per cent

中國同輻股份有限公司
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