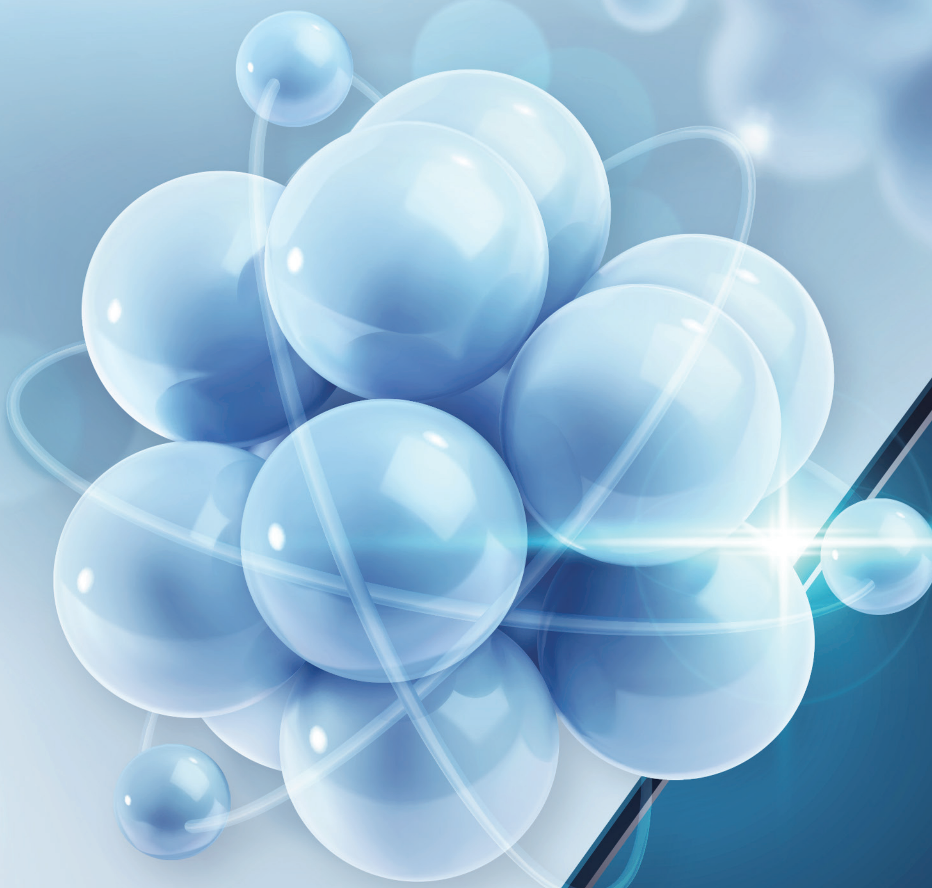
中核集团
CNNC

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



2019
ANNUAL REPORT
年度報告

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CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

中國同輻股份有限公司（Abbreviation：中國同輻）

ENGLISH NAME OF THE COMPANY

China Isotope & Radiation Corporation*

REGISTERED OFFICE

Room 418, South 4th Floor
Building 1, No. 66 Changwa Middle Street
Haidian District
Beijing
PRC

HEAD OFFICE IN THE PRC

No. 66
Changwa Middle Street
Haidian District
Beijing
PRC

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. Chen Shoulei
Mr. Chen Zongyu
Ms. Chang Jinyu (appointed on 30 December 2019)

Independent Non-executive Directors

Mr. Guo Qingliang
Mr. Meng Yan
Mr. Hui Wan Fai
Mr. Tian Jiahe (appointed on 30 December 2019)

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. Chen Zongyu
Mr. Guo Qingliang

Strategy Committee

Mr. Meng Yanbin *(chairman)*
Mr. Wu Jian
Mr. Zhou Liulai
Mr. Chen Zongyu
Mr. Chen Shoulei

Legal Affairs Committee

Mr. Meng Yanbin *(chairman)*
Mr. Chen Zongyu
Mr. Guo Qingliang
Mr. Hui Wan Fai

LEGAL REPRESENTATIVE

Mr. Meng Yanbin

AUTHORISED 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)

CORPORATE INFORMATION (CONTINUED)

SUPERVISORS

Mr. Zhang Qingjun
Mr. Liu Zhonglin
Mr. Zhang Guoping
Mr. Li Guoxiang (resigned on 26 March 2020)
Mr. Zhang Yiming (resigned on 26 March 2020)
Mr. Li Zhenhua (appointed on 26 March 2020)
Mr. Zhang Jian (appointed on 26 March 2020)

JOINT COMPANY SECRETARIES

Mr. Wu Laishui
Ms. Kam Mei Ha Wendy

AUDITOR

KPMG
Public Interest Entity Auditor registered
in accordance with the
Financial Reporting Council Ordinance

COMPLIANCE ADVISER

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One International Finance Centre
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Central
Hong Kong

LEGAL ADVISORS

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23/F, Gloucester Tower
15 Queen's Road Central
Central
Hong Kong

As to PRC Law
Zhong Lun Law Firm
Level 28/31/33/36/37
SK Tower
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PRINCIPAL BANKERS

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Xicheng District
Beijing
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H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1763

INVESTORS' ENQUIRIES

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LISTING DATE

6 July 2018

FINANCIAL HIGHLIGHTS

(RMB'000)	Year ended 31 December 2019	Year ended 31 December 2018 (restated)
Revenue	3,988,904	3,249,708
Gross profit	2,829,327	2,300,667
Profit from operations	720,594	676,100
Profit before taxation	733,807	692,620
Profit attributable to equity shareholders of the Company	329,030	321,903
Basic/diluted earnings per share (RMB)	1.03	1.15
Profitability		
Gross profit margin	70.9%	70.8%
Operating profit margin	18.1%	20.8%
Net profit margin	15.7%	18.1%

	Year ended 31 December 2019	Year ended 31 December 2018
Total assets	8,843,372	6,903,746
Total liabilities	3,839,939	2,565,353
Net assets	5,003,433	4,338,393

GROUP PROFILE

As a leader in the isotopes and irradiation technology application industry in the PRC, CIRC tapped into the field of isotopes and irradiation technologies since it was established in 1983, and tilled the nuclear technology application industry for over 30 years. The businesses of the Company 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 83.0% of its revenue and 90.0% 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 important member of isotopes and irradiation technology industry 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.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board, I am pleased to present to you the annual results report of the Company for the Reporting Period.

Over the past year, the international development environment was complicated and changeable, and the global economic landscape experienced deep adjustment. The Chinese government continued to implement supply-side reform and opened a new era for high-quality development. Meanwhile, with the development of a new round of scientific and technological revolution and industrial change around the world, disruptive technologies continuously sprang up and the convergence of technologies brought out various new industries, new types of business and new business models. The historical intersection of the new round of scientific and technological revolution and industrial change with the structural adjustment and industrial transformation of Chinese economy brought a huge development opportunity for the industrial applications of nuclear technology. As a leader in the industry, we upheld a strong sense of mission and urgency, assessed the situation, prevented risks and sought for growth while maintaining stability, and achieved an overall and steady growth in asset size, operating income and profit with the concerted efforts of all the staff. We firmly grasped the historical opportunity of the times, closely kept up with the pace of national strategies, and forged ahead with determination and the spirit of struggle to actively promote the implementation of the development strategy of the Company and make encouraging progress in industrial layout, technological innovation and capital operations.

This year, we actively responded to risks and challenges, and continued to increase efforts in market expansion. We achieved operating income of RMB3,988.9 million, representing a year-on-year increase of 22.8%; profit before tax of RMB733.8 million, representing a year-on-year increase of 6.0%; total assets of RMB8,843.4 million, net assets of RMB5,003.4 million and asset-liability ratio of 43.4%.

This year, we accelerated to optimise the industrial layout according to the development strategy of the Company. We cooperated with an American company, Accuray, to establish a joint venture, CNNC Accuray (Tianjin) Medical Technology Co., Ltd., and entered the nuclear medical equipment industry from a high starting point. We entered into a cooperation agreement with a Germany biotechnology and radiopharmaceutical group, ITM, to accelerate the technological introduction for key nuclide projects. We completed the acquisitions of Ningbo Junan Pharmaceuticals Technology Co., Ltd., Pet (Beijing) Science & Technology Co., Ltd. and Xinghua Meiquan Technology Co., Ltd., and realised the industry extension and expansion of the brachytherapy, radio pharmaceuticals and irradiation applications.

This year, we adhered to the concept of development driven by technology and actively conducted technological research and innovation. We successfully mastered the industrial manufacturing technology of radioactive source products, such as cobalt-60 for medical use, which broke the situation of China's long-term dependence on imported radioactive source products, such as cobalt-60 for medical use, and filled the gap. We vigorously promoted the construction of the CIRC Institute, completed the establishment of five research and development centres including radioactive medicine, stable isotope and breath test technology, precision clinical laboratory research and development centres, and made substantive progress in the construction of the "1 + N" research and development platform system.

CHAIRMAN'S STATEMENT (CONTINUED)

This year, we made great efforts to accelerate the construction of projects. Guangdong medical base was completed and went into operation, which significantly enhanced our research and development and production capabilities of breath diagnostic pharmaceuticals, and consolidated CIRC's leading position in the breath test field. The completion and operation of seven pharmaceuticals centres, including pharmaceuticals centres in Wuhan and Changsha, laid a solid foundation to establish a network layout system covering major cities across the country by 2022.

This year, we actively broadened financing channels and accelerated the innovation in investment and financing. We issued corporate bonds with a principal amount of RMB500 million in Mainland China for the first time to further optimise the debt structure of the Company. In addition, CIRC promoted to establish an innovation industry investment fund with an aggregate amount of RMB5 billion to carry out investment, mergers and acquisitions in the upstream and downstream industry of nuclear technology applications, provide fund support for the optimisation of industrial layout and the promotion of industrial development, and facilitate the development of nuclear technology application industry.

Look back to 2019, we had a fruitful year. Look forward to 2020, we are full of confidence. 2020 is a milestone year, a year for China to build a moderately prosperous society in all respects and achieve its first centenary goal, and also a year for the Company to fully complete the goals and tasks of the "13th Five-Year" plan, and study and formulate the "14th Five-Year" plan. As a leader in the industry, in the new year, CIRC will continue to concentrate manpower and resources, take advantage of the momentum, work hard and forge ahead to further consolidate the Company's development foundation, complete all tasks and goals with high quality, promote the rapid development of the nuclear technology application industry and continuously create greater value for customers, Shareholders and the society.

Mr. Meng Yanbin
Executive Director and Chairman of the Board

Hong Kong, 22 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the year ended 31 December 2019, 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 RMB3,988.9 million, representing a year-on-year increase of 22.8%. Net profit for the year was RMB624.9 million, representing a year-on-year increase of 6.4%, and net profit attributable to equity shareholders of the Company was RMB329.0 million, representing a year-on-year increase of 2.2%.

BUSINESS SEGMENTS

1. Pharmaceuticals

We are a leading manufacturer of diagnostic and therapeutic radiopharmaceuticals in China, primarily engaged in the research, development, manufacturing and sale of a wide range of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers and in vitro diagnostic reagents and kits in the domestic market. During the Reporting Period, the Group adhered to the strategic development plan of each business segment. In respect of pharmaceutical segment, we have developed demonstration base construction projects by supporting nuclear medicine application for medical diagnosis of Chinese Society of Nuclear Medicine, and consistently promoted the development of existing business by intensifying our efforts in marketing to introduce nuclear medicine diagnosis technologies to clinical departments. Meanwhile, we placed sources to explore new markets, continuously optimised service capabilities, and improved the industrial structure. We proactively explored emerging markets through taking steps such as building and deepening the “one-stop” solution platform for brachytherapy, an overall service plan on nuclear medicine, and setting up the “1+N” service system for breath test diagnosis. During the Reporting Period, we recorded RMB3,311.1 million of revenue from sales of pharmaceuticals in 2019, representing a year-on- year increase of 22.9%. In particular, our revenue from sales of Sodium iodine-131 oral solution increased by 11.6% compared to 2018; revenue from sales of Fluorine-18-FDG injections increased by 18.6% compared to 2018; revenue from sales of Technetium-99m instantly labeled pharmaceuticals increased by 25.1% compared to 2018; revenue from sales of Strontium-89 chloride injections increased by 16.4% compared to 2018; revenue from sales of Iodine-125 sealed sources increased by 27.2% compared to 2018; and revenue from sales of UBT kits and relevant products increased by 31.2% compared to 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Radioactive source products

We are a major manufacturer of medical and industrial radioactive source products in China and also a radioactive source producer with a most complete range of radioactive source product offerings in China, primarily engaged in the research, development, manufacturing and sale of various medical and industrial radioactive sources products as well as provision of related technical services. During the Reporting Period, we continued to export domestically-produced cobalt-60 radioactive sources on a large scale. The development of China's industrial radioactive source market has become relatively leveled off under the background of a new normal for economic development. Although approval authority for license for acquisition of gamma knife equipment was delegated, the implementation of such policy was tardy, and military medical institutions were being adjusted through reform. Faced with such problems, the Company took the initiative to overcome difficulties, recording RMB379.1 million of revenue from sales of radioactive source products in 2019, representing a year-on-year decrease of 7.4%. In particular, benefiting from the in-depth investigation and research of the market demand for traditional products and the extensive exploration of various of instrument sources, revenue from sales of instrument and meter calibration sources increased by 26.7% year on year and revenue from sales of thickness gauge sources increased by 16.8% year on year in 2019.

3. Irradiation

In the field of irradiation processing, we are mainly aimed at providing the manufacturers of medical devices, food, traditional Chinese medicine and cosmetics for sterilisation in China, and meanwhile EPC services related to the design, manufacturing and installation of gamma ray irradiation facilities is also accessible. During the Reporting Period, China's irradiation processing industry developed steadily, but there would be fierce competition for the market. In terms of the design business of irradiation facilities, the output of irradiation facilities in the current domestic market tends to have reached a plateau, with few irradiation stations being established. We have been keeping abreast of the latest market development trend and fully investigated what customers were demanding in a great effort to meet the needs of customers in all respects. In 2019, the irradiation processing business realised revenue of RMB74.9 million, representing a year-on-year increase of 11.8%; and EPC services realised revenue of RMB10.1 million, representing a year-on-year increase of 92.4%.

4. Independent clinical laboratory services and other businesses

Our independent clinical laboratory services, as a downstream extension of our in vitro diagnostic reagents sales of the Company, are mainly being offered to medical institutions. We offer independent clinical laboratory services with respect to hepatitis, endocrine, bone metabolism, cardiovascular disease, diabetes and other diseases. During the Reporting Period, revenue from independent clinical laboratory services and other businesses of the Group was RMB213.7 million, representing a year-on-year increase of 186.9%.

In addition, our medicine equipment business was developing rapidly, with 50 licenses for acquisition of high-end radiation therapy equipment having been obtained, which paved the way for the rolling out of the Company's high-end radiation therapy equipment.

The table below sets forth our revenue by business segment in 2019 and 2018:

	Year ended 31 December 2019		Year ended 31 December 2018	
(RMB in millions, except for percentage)	**Amount**	**%**	Amount	%
Pharmaceuticals	**3,311.1**	**83.0**	2,693.6	82.9
Radioactive source products	**379.1**	**9.5**	409.3	12.6
Irradiation	**85.0**	**2.1**	72.3	2.2
Independent clinical laboratory services and other businesses	**213.7**	**5.4**	74.5	2.3
Total	**3,988.9**	**100.0**	3,249.7	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MARKETING

During the Reporting Period, we have established a brand management system through systematically organising brand definition system and brand structure, which would consolidate the Company's leading position in the industry and improve the brand influences of the Company, whereby progressively strengthen its market competitiveness. On the other hand, as we integrated resources in the market in a coordinated way and deepened the development of three marketing platforms (i.e. the radiopharmaceutical marketing center, the radioactive source marketing center and the brachytherapy business division), enabling each of such marketing platforms continue to fully play their roles in their respective market segment and further explore market potential. Upon the acquisition of Ningbo Junan Pharmaceuticals Technology Co., Ltd., we have significantly developed our ability in exploring market and competitiveness in sale of Iodine-125 sealed sources, promoting the rapid expansion of our existing businesses. During the whole year, we started 11 new demonstration base construction projects for the promotion of nuclear medicine application for medical diagnosis, of which two hospitals passed the acceptance test and was officially established. At present, there are 58 participating hospitals in the PRC. The accelerated popularisation of nuclear medicine application for clinical diagnosis and treatment has effectively facilitated market expansion for products of the Company. The project "overall nuclear medicine solutions" created by us has brought some sales revenue, which will continuously enhance our market service capacity and increase the revenue from new business. We have established a nationwide sales network and had diversified marketing campaigns. During the Reporting Period, we held seven sessions of "Seminar on Nuclear Cardiology" and more than 250 academic salons, with 4,160 doctors participating in. Moreover, by taking well-targeted steps, the "1+N" breath test diagnosis system has been established and a media presentation for Armillariella Oral Solution, used as combination therapy for Hp, was held successfully. As of 31 December 2019, the Group has conducted various marketing campaigns through its own sales personnel, technical service promoters and distributors, and its sales network has covered 31 provinces, municipalities and autonomous regions in China. Furthermore, the Group has a broad end-user base. As of 31 December 2019, the Group's sales network covered more than 11,000 hospitals and other medical institutions, including 1,800 tertiary hospitals, 5,000 secondary hospitals and 4,400 primary hospitals in China.

SCIENTIFIC RESEARCH AND INNOVATION

The Group owns strong research and development strengths. Our research and development team comprising 218 research and development staff focuses on the extensive researching and optimisation 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 2019, we owned eight 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), two radiopharmaceuticals at the stage of clinical trial (i.e. sodium iodine-131-MIBG injection and sodium fluorine-18 injection), one therapeutic radiopharmaceutical pending application and approval for clinical trial (i.e. palladium-103 sealed source) and four imaging diagnostic and therapeutic radiopharmaceuticals under various stages of research and development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, we achieved remarkable results in our work on intellectual properties with a total of 86 patents applied including 26 patents for inventions and 31 licensed patents including five patents for inventions. As of 31 December 2019, we had registered more than 290 patents and had filed applications for more than 120 patents, which further solidified our business strengths in China. In 2019, the Group has finished its preparation work for establishment of five research and development centers in respect of radiopharmaceuticals, stable isotope and breath test technology, precision medicine examination, radioactive source and industrial application, and irradiation application technology, and established China's first radiopharmaceutical research and development incubation company with Shanghai Jiading Industrial Zone Development (Group) Co., Ltd. (上海嘉定工業區開發（集團）有限公司) and Shanghai Institute of Applied Physics, Chinese Academy of Sciences, to continuously improve the basic conditions of research and development and innovate operating system and model. In addition, the development of medical domestically-produced cobalt-60 radioactive source technology was successfully completed, giving birth to the first set of domestically-produced cobalt-60 radioactive source for gamma knife, which was awarded the "2019 Top Ten Innovative Projects of Central Enterprises under SASAC". "Urea 14C Capsule and the Micro Scale Sub Package Methods" 《尿素[^{14}C]膠囊及其微量分裝方法》 won the Excellent Patent of the 21st China Patent Awards (already announced), while "R&D and Industrialisation of Carbon-14 Urea Breath Test Kits with Card" 《(卡式尿素[^{14}C]呼氣試驗藥盒研發和產業化》 won the second prize of 2019 Shenzhen Scientific and Technological Progress Prize.

INTERNATIONAL BUSINESS

During the Reporting Period, we recorded revenue of RMB47.6 million from export of cobalt sources, neutron sources, UBT analyzers, RIA kits and other products to more than 50 countries such as Canada, South Korea and Peru. During this period, breakthroughs were made in our international business: a subsidiary of us recorded overseas revenue from its used sources recycling business; through CN101 framework agreement on final source products entered into with companies in the Europe and the United States, we can export massive quantities of products in the forthcoming three years, changing the previous situation of single raw material export, marking the quality of domestically-produced cobalt-60 industrial source products further recognised in the world market, and at the same time, two batches of raw materials of cobalt sources, totaling two million curies, were exported for the whole year; and we continued to expand its access to the international market, with new registration certificates for UBT diagnostic products having been obtained from six countries. With regard to Morocco donation project, the relevant work on the air transportation of cobalt-60 source for gamma knife and the sea transportation of gamma knife treatment systems has been completed, and it is expected that the equipment installation and commissioning will be carried out at the beginning of 2020. In order to promote international cooperation in the field of nuclear technology, we offered training in nuclear technology application to countries in the Mekong area, Northwest Africa, Central Africa and the League of Arab States. We have participated in more than 40 international conferences, professional exhibitions and other comprehensive exhibitions on nuclear medicine, radiotherapy, digestive diseases, in vitro diagnosis, medical equipment, irradiation processing, etc, in a great effort to build up its international brand image with reference to the standards of international enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL OPERATION

During the Reporting Period, the Group completed the acquisition of five enterprises with a total investment of RMB159.3 million.

S/N	Acquired Enterprise	Agreement Signature Date	Acquisition completion	Acquisition Amount (RMB in million)	Principal Businesses
1	Ningbo Junan Pharmaceuticals Technology Co., Ltd. (寧波君安藥業科技有限公司)	2019.1.18	2019.4	80.0	Production and sale of Iodine-125 sealed sources and Strontium-89 chloride injections
2	Pet (Beijing) Science & Technology Co., Ltd. (派特（北京）科技有限公司)	2019.1.24	2019.3	8.4	Production and sale of FDG composite modules
3	Shanghai Eugene Biotech Co., Ltd. (上海優晶生物科技有限公司)	2019.2.18	2019.2	1.4	Production and sale of POCT products
4	Xinghua Meiquan Technology Co., Ltd.(興化市美全科技有限公司)	2019.3.20	2019.12	18.5	Irradiation services
5	Beijing Leike Mechatronic Engineering Technology Co., Ltd. (北京雷克機電工程技術有限公司)	2019.3.29	2019.5	51.0	Production, reloading, sale and transportation of iridium-192 and selenium-75 radioactive

As a main platform for the development of nuclear technology application industry, we are undertaking the important task of developing China's nuclear technology application industry. With the strategic goal of "growing bigger, better and stronger", we adhere to its strategy of "industrialisation and internationalisation" and strives to build itself a top-notch international supplier of nuclear technology application products and services. In order to facilitate the implementation of the Company's strategy, explore new sources of economic growth and enhance the economic scale and efficiency of the Company, we initiated the establishment of Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) (北京同輻創新產業投資基金合夥企業（有限合夥）), which invests in the application areas of nuclear technology, including the production of nuclides, radioactive source, nuclear medicine, medical devices, in vitro diagnosis, medical services and industrial nuclear applications.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The fund scheme was approved at the 2019 extraordinary general meeting of the Company on 30 December 2019. On 31 December 2019, we performed our obligation of first contribution of RMB480 million to Beijing Tongfu Innovation Industrial Investment Fund Partnership Enterprise (Limited Partnership) and RMB3.6 million to its general partner Beijing Tongchuang High-tech Investment Partnership Enterprise (Limited Partnership) (北京同創高科投資合夥企業(有限合夥)). Upon the completion of the investment, we will held 48% equity interests in Tongfu Innovation Industrial Investment Fund Partnership Enterprise (Limited Partnership) and 17.65% equity interests in Beijing Tongchuang High-tech Investment Partnership Enterprise (Limited Partnership).

PRODUCTION CAPACITY

The manufacturing and production facilities of the Group have a wide geographical coverage in China. The pharmaceuticals centers are located in 17 regions, including Beijing, Shanghai, Guangzhou and Tianjin; the therapeutic radiopharmaceuticals manufacturing bases are located in three regions (i.e. Beijing, Ningbo and Jiajiang); the UBT diagnostic kits and test analyzers manufacturing bases are located in two regions (i.e. Shenzhen and Tongcheng); the radioactive source manufacturing bases are located in two regions (i.e. Beijing and Jiajiang) and the in vitro immunoassay diagnostic reagents and kits manufacturing base is located in Beijing.

The production capacity, actual production volume and utilisation rates for the year 2019 are set out in the table below:

Imaging diagnostic and therapeutic radiopharmaceuticals:

	Year ended 31 December 2019		
	Annual designed capacity	Actual production volume	Utilisation rate
Fluorine-18-FDG injections (Ci)	12,179	5,164	42.40%
Molybdenum-99/technetium-99m generators (Ci)	55,945	13,515	24.16%
Technetium-99m instantly labeled injections (vial)	776,850	448,246	57.70%
Sodium iodine-131 oral solution (Ci)	23,986	11,477	47.85%
Iodine-125 sealed sources (unit)	990,000	618,967	62.52%
Strontium-89 chloride injections (vial)	70,000	9,148	13.07%

UBT kits and analyzers:

	Year ended 31 December 2019		
	Annual designed capacity	Actual production volume	Utilisation rate
Carbon-13/14 UBT kits (unit)	23,000,000	50,191,560	218%
Carbon-13/14 UBT analyzers (unit)	6,200	6,091	98%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In vitro immunoassay reagents and kits:

	Year ended 31 December 2019		
	Annual designed capacity	Actual production volume	Utilisation rate
RIA kits (unit)	200,000	97,258	48.63%
EIA reagents, CLIA reagents and TRFIA reagents (unit)	100,000	50,088	50.09%
Colloidal gold reagents (unit)	100,000	560	0.56%

Radioactive source products:

	Year ended 31 December 2019		
	Annual designed capacity	Actual production volume	Utilisation rate
Cobalt-60 source for gamma knife (Ci)	3,600,000	176,171	4.9%
Iridium-192 brachytherapy sources (Ci)	10,000	3,420	34.2%
Cobalt-60 radioactive source for irradiation service (Ci)	14,410,000	9,051,600	62.8%
Iridium-192 non-destructive testing radioactive sources (Ci)	3,000,000	180,362	6.0%
Caesium-137 radioactive sources (Ci)	55,700	3,292	5.9%
Americium-241/Beryllium neutron sources (Ci)	1,000	10	1.0%
Selenium-75 non-destructive testing radioactive source (Ci)	50,000	14,057	28.1%

FUTURE DEVELOPMENT

Currently, the world economy is still in the middle of profound readjustment after the international financial crisis. China is still facing complicated and austere situations in its economic development, and the downward pressure on the economy is further increasing. In order to speed up the adjustment to economic structure and the transformation of development pattern, the Chinese government has continuously deepened supply-side reform, comprehensively pushed forward the implementation of a series of development strategies such as innovation-driven development and coordinated development between regions, providing a good environment for industrial upgrading, quality and efficiency improvement, and offering new impetus and space for the development of nuclear technology application industry. As a leading enterprise in the industry, we will firmly seize the important strategic period of opportunities for industrial development, and continuously strengthen our analysis of future situations to accurately grasp development trends. With the guidance of our development strategy, we will further accelerate production capacity construction, strengthen scientific research and innovation, intensify marketing, and improve our enterprise management level. Moreover, we will overcome all difficulties and obstacles on the way forward with indomitable mind and fearless heart, in a great effort to accelerate the development of our Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of capacity building, in order to meet the increasing demand for radiopharmaceuticals in China's densely inhabited districts in a timely manner, we will accelerate arrangements for the network of pharmaceuticals centres, with proposed establishment and operation of a number of pharmaceuticals centres in 2020, laying a solid foundation for the formation of a network arrangement system covering major cities in China in 2022. In addition, progress has been made in the construction of medical bases. In the first half of 2019, Guangdong medical base was officially completed and went into operation, while two new types of modern production and research bases in Hebei Province and Sichuan Province were being constructed in an orderly manner. The successive completion and operation of the medical bases will further enhance our research and development and production capacity, and help meet the requirements of standardised and large-scale production and operation of radiopharmaceuticals for imaging diagnosis and medical treatment, so as to meet the demand in China's growing radiopharmaceuticals market.

In terms of technological research and development, in order to realise the Company's high-quality and sustainable development, we will unswervingly stick to technological innovation, further accelerate the construction of the CIRC Institute, continuously improve such institute's system, and prepare its efforts in introducing and fostering talents in a solid manner, whereby steadily enhancing the overall scientific research strength of the Company. Meanwhile, we will increase investment in scientific research, make full use of internal and external resources of innovation to innovate the Company's various fields of research and development, striving to achieve major breakthroughs in advantageous fields and key technologies and continuously enhancing the Company's core competitiveness.

In terms of marketing, we will further intensify our marketing efforts, and vigorously construct the platform of "overall nuclear medicine solutions" to expedite the transformation from selling products to selling services and system solutions. While optimising our operations, we will intensify our brand-building efforts to build the "CIRC" brand framework system, and comprehensively enhance the popularity and influence of the "CIRC" brand, so as to further enhance the company's market competitiveness.

In terms of management, we will continue to intensify our efforts in reform and innovation. Based on the initial reform achievements in 2019 in the fields of research and development system, equity incentive, market-oriented selection, performance-linked compensation, etc., we will deepen reform and innovation, vigorously eradicate institutional obstructions that hold back development, and make efforts to build a community of common interests between our Company and our employees so as to fully stimulate our Company's innovative vitality and endogenous dynamic.

In the future development, the Group will spare no efforts to promote the rapid development of the nuclear technology application industry with adherence to market orientation, taking increasing economic benefits and promoting development quality as its core guidance and driven by reform and innovation, so as to consolidate its leading position in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

IMPACT OF POLICIES AND UNCERTAINTIES

As at the beginning of 2019, the national pilot program on the centralised drug procurement and use started with 11 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing. The main purpose of the national "4+7 Centralised Drug Procurement" program is to "exchange quantity for price", that is, to slash drug prices through centralised procurement. The first round of "4+7 Centralised Drug Procurement" involves 31 drugs, and the reduced-price drugs are mainly aimed at chronic diseases requiring long-term medication, such as hypertension, depression, hepatitis B and lung cancer. Considering drug characteristics, market supply, drug costs and other factors, such policy has not had any impact on the sales of nuclear medicine related products of our Company.

In respect of drug characteristics, the Company's products are mainly imaging diagnostic and therapeutic radiopharmaceuticals, not covered by "4+7 Centralised Drug Procurement". In addition, radiopharmaceuticals, containing radionuclides, have a certain half-life. Certain drugs cannot be stored for a long time due to their half-life, which requires the implementation of appointment system for diagnosis and treatment of patients visiting the nuclear medicine departments. Therefore, hospitals cannot guarantee a certain amount of purchase in exchange for price concessions.

In respect of drug supply, in recent years, as the advantages of PET/CT imaging in China's nuclear medicine gradually emerged, the development of nuclear medicine has attracted extensive attention from the government and the medical industry. However, from the perspective of drug types, drug doses and domestic suppliers, the main drugs used in domestic nuclear medicine diagnosis and treatment projects are relatively stationary. There are only a few domestic suppliers for each radiopharmaceutical, and there are still exclusive sales of individual products in China. Overall, the market competition pattern is positive. According to the statistics in 2017, the total sales of radiopharmaceuticals in China only accounted for 0.22% of the total sales of top seven pharmaceutical products that year. The sales of radiopharmaceuticals in the market have not yet reached the extent of "exchanging quantity for price".

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

In summary, during the Reporting Period, the "4+7 Centralised Drug Procurement" did not have a significant impact on our Company, and it is expected that the situation will not change much in 2020. In the future, with the deepening of medical reform and the introduction of new medical reform and drug policies, there will occur some changes in achieving success in the pharmaceutical industry, and innovation will become the core driving force of the domestic drug market. We will keep abreast of the changing industry trend, increase investment in research and development, and maintain sustained high-quality growth by improving products under research.

IMPACT OF THE COVID-19

In 2020, the outbreak of the novel coronavirus (COVID-19) has brought more uncertainties to our operating environment. In terms of our current operations, the COVID-19 has delayed operations, with revenue and profits declining to some extent as compared to the corresponding period last year and there being certain uncertainties in the future. We have taken contingency measures to mitigate the impact of the COVID-19. We closely monitor our collection and inventory status, and negotiate with suppliers to make a deferred payment, extend credit period, etc. to strengthen working capital management and ensure the sustainability of the Company's assets and operations. At the same time, we have, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all our employees in different regions. Although there are still full of uncertainties at this stage, we will continue to implement the prevention work on the COVID-19 to safeguard employee safety, stable production and smooth sales.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 22.8% from RMB3,249.7 million for the year ended 31 December 2018 to RMB3,988.9 million during the Reporting Period, which was mainly due to an increase in revenue from our pharmaceuticals segment, irradiation segment and independent clinical laboratory services and other businesses.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 22.2% from RMB949.0 million in 2018 to RMB1,159.6 million during the Reporting Period, which was mainly due to an increase in cost of sales of our pharmaceuticals segment, irradiation segment, independent clinical laboratory services and other businesses.

Our gross profit increased by 23.0% from RMB2,300.7 million in 2018 to RMB2,829.3 million during the Reporting Period and our gross margin increased from 70.8% to 70.9%. The increase in gross margin was primarily due to higher gross margin of our pharmaceuticals segment and independent clinical laboratory services and other businesses with higher proportion of revenue in our total revenue.

Other Income

Our other income decreased by 22.2% from RMB88.3 million in 2018 to RMB68.7 million in 2019, primarily due to a decrease in net exchange gains during the Reporting Period. In 2018, exchange gains and losses were generated from return of the Hong Kong dollar-denominated funds raised from our listing, while there were no additional Hong Kong dollar-denominated funds in 2019, which resulted in a drop in exchange gains and losses.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 29.4% from RMB1,303.9 million in 2018 to RMB1,687.5 million in 2019, which was primarily due to an increase in our sales service fees, staff costs and exhibition expenses as of the expanded operational scale of our radiopharmaceuticals products.

As a percentage of revenue, selling and distribution expenses increased from 40.1% in 2018 to 42.3% in 2019.

Administrative Expenses

Our administrative expenses increased by 19.8% from RMB409.0 million in 2018 to RMB489.9 million in 2019, mainly due to (i) the increased staff costs resulting from our expanded operational scale, (ii) the increased research and development expense resulting from more investments in research and development, and (iii) the depreciation charges as a result of transfer of projects under construction to fixed assets.

As a percentage of revenue, administrative expenses decreased slightly from 12.6% in 2018 to 12.3% in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Costs

Our finance costs increased by 144.2% from RMB7.7 million in 2018 to RMB18.8 million in 2019, which was mainly attributable to (i) the increase in interest expense on bank borrowings upon the conversion of the Company's construction in progress into fixed assets; (ii) the implementation of the leasing standards by the Company; (iii) the issuance of corporate bonds; and (iv) the increase of bank loans due to operating requirements.

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

Our share of profits less losses of associates increased by 400.0% from negative RMB0.7 million in 2018 to RMB2.1 million in 2019, mainly due to the decreased losses of our associate, Shenzhen CICAM Manufacturing Co., Ltd. Our share of profits of a joint venture increased by 19.2% from RMB25.0 million in 2018 to RMB29.8 million in 2019, 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 6.0% from RMB692.6 million in 2018 to RMB733.8 million in 2019.

Income Tax

Our income tax increased by 3.2% from RMB105.5 million in 2018 to RMB108.9 million in 2019, mainly due to our increased taxable income.

Our effective tax rate was 15.2% and 14.8% in 2018 and 2019, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 6.4% from RMB587.1 million in 2018 to RMB624.9 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Overview

For the year ended 31 December 2019, the total assets of the Group increased significantly. The total assets, the total liabilities and the total equity were RMB8,843.4 million, RMB3,840.0 million and RMB5,003.4 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 2019	31 December 2018
Inventories	**444.4**	343.7
Trade and bill receivables	**2,187.7**	1,728.4
Prepayments, deposits and other receivables	**263.4**	198.6
Cash at bank and on hand	**2,744.9**	2,615.8
Total Current Assets	**5,640.4**	4,886.5
Bank loans	**191.2**	–
Trade payables	**173.6**	169.8
Accruals and other payables	**2,368.8**	1,876.7
Lease liabilities	**27.8**	–
Provisions	**69.6**	68.0
Income tax payable	**98.2**	79.7
Total Current Liabilities	**2,929.2**	2,194.2
Net Current Assets	**2,711.2**	2,692.3

Our net current assets increased by 0.7% from RMB2,692.3 million as of 31 December 2018 to RMB2,711.2 million as of 31 December 2019, which was mainly due to an increase in operating inventories of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 4.4% and 18.5% as of 31 December 2018 and 31 December 2019, respectively.

Our quick ratio (total current assets excluding inventories divided by total current liabilities as of the same date) was 2.1 times and 1.8 times as of 31 December 2018 and 31 December 2019, respectively.

Analysis of Cash Flows

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

RMB in million

	31 December 2019	31 December 2018
Net cash generated from operating activities	**601.9**	575.7
Net cash used in investing activities	**(1,108.5)**	(455.1)
Net cash generated from financing activities	**590.7**	1,227.0
Net increase in cash and cash equivalents	**84.1**	1,347.6
Cash and cash equivalents at the beginning of the year	**2,557.5**	1,157.1
Effect of changes in foreign exchange rate	**(1.3)**	52.8
Cash and cash equivalents at the end of the year	**2,640.3**	2,557.5

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 2019, our trade and other receivables (net of bad debt allowance of RMB139.0 million) were RMB2,451.1 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 2019, our trade and other payables were RMB2,542.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Bank Loans and Pledge of Assets

As of 31 December 2019, our bank loans were RMB288.5 million, which mainly includes: (i) a five-year loan of RMB150.0 million borrowed by a subsidiary of the Group at an interest rate equivalent to the five-year benchmark lending rate per annum of the PBOC plus 5.0%, with an amount of RMB112.5 million remaining during the period, which was mainly used for the construction of the company's production base project and was jointly guaranteed by the shareholders of such subsidiary, and for which certain land use rights with a carrying amount of RMB24.9 million and time deposits with original maturity over three months of RMB18.0 million as at 31 December 2019 have been pledged as security; (ii) a five-year loan of RMB30.0 million borrowed by a subsidiary of the Group at an interest rate equivalent to the benchmark lending rate per annum plus 20.25 base points (subject to adjustment every 12 months), with an amount of RMB22.3 million remaining during the period, which was mainly used for the renovation of the company's office building, and for which the Group's properties with a carrying amount of RMB196.6 million and land use rights with a carrying amount of RMB37.3 million were pledged as securities; (iii) a one-year loan of RMB130.0 million borrowed by a subsidiary of the Group at an interest rate of 3.915%, with an amount of RMB130.0 million remaining during the period, which was a credit loan without pledge of assets, mainly used for the company's daily production and operation turnover; (iv) a six-month loan of RMB9.7 million borrowed by a subsidiary of the Group at an interest rate of 4.35%, with an amount of RMB9.7 million remaining during the period, which was mainly used for the company's procurement of goods, and for which there was no pledge of assets; and (v) a 15-year loan of RMB8.0 million at an interest rate equivalent to the five-year benchmark lending rate per annum of the business day before the loan contract becomes effective plus 78.5 base points. Such loan will be due and payable upon the expiry of every 12 months. The outstanding loan amounted to RMB8.0 million during the period. Such loan was used for the company's procurement of goods, and for which the Group's properties with a carrying amount of RMB9.8 million and land use rights of RMB1.0 million were pledged.

Capital Expenditures

Our capital expenditures mainly comprise additions to prepaid lease payments, investment properties, plant and equipment and intangible assets. In 2019, our capital expenditures were RMB669.7 million.

Contingent Liabilities

As of 31 December 2019, we did not have any material contingent liabilities.

Foreign Exchange and Foreign Exchange Risk

During the year ended 31 December 2019, the Group was exposed to currency risk primarily through bank deposits denominated in foreign currency, which were primarily Hong Kong dollars. The Group monitors foreign exchange movements and determines exchange when necessary. The Group currently has no foreign exchange hedging policy.

Credit Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Liquidity Risk

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

DIVIDEND POLICY

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2019.

SUBSEQUENT EVENTS

Save as the impact of COVID-19 above, no significant subsequent events take place after the Reporting Period to the date of this annual report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 6 July 2018, H shares of the Company became listed on the Main Board of the Stock Exchange (stock code: 1763). Based on the offer price of HKD21.60 per H share and upon the partial exercise of the over-allotment option (100 Shares), the net proceeds that the Group received from the global offering were approximately HKD1,690.0 million after deduction of the underwriting commissions and other related expenses in relation to the global offering. As at 31 December 2019, current assets of approximately RMB918.5 million were used and approximately RMB529.9 million was used in selective mergers and acquisitions.

In accordance with the requirements of paragraph 11(8) of Appendix 16 of the Listing Rules, the use of proceeds will be updated to provide the use of proceeds from the initial public offering for 2019 (including the expected timeline of full utilisation of the balance), which is as set out below:

RMB in million

Use	Initial allocation of the net proceeds	Revised allocation of the net proceeds	Amount utilised as of 31 December 2018	Amount utilised in 2019	Amount utilised as of 31 December 2019	Balance as of 31 December 2019	Expected time of full utilisation of balance
Investment in imaging diagnostic and therapeutic radiopharmaceuticals manufacturing and research and development bases	597.3	460.0	0.0	29.5	29.5	430.5	In 2020
Establishment of production and distribution subsidiaries	67.3	0.0	0.0	0.0	0.0	0.0	
Establishment of new production facilities	84.5	50.0	0.0	50.0	50.0	0.0	
Investment in the research and development of various imaging diagnostic and therapeutic radiopharmaceuticals, raw materials of radioactive source products, medical radioisotopes, and UBT products and related raw materials	253.6	118.3	0.0	76.6	76.6	41.8	In 2020
Investments/selective (mergers) acquisitions	286.5	536.1	51.4	478.5	529.9	6.2	In 2020
Working capital and general corporate purposes	143.3	268.1	71.7	160.8	232.5	35.5	In 2020
Total	1,432.5	1,432.5	123.1	795.4	918.5	514.0	

Note: The investments/selective (mergers) acquisitions in the use of proceeds are uncontrollable due to the timing of investments and acquisitions, which may result in the changes in the timeline of utilisation of the proceeds for investments/selective (mergers) acquisitions. The investment in the research and development in the use of proceeds is under preparation due to certain research and development projects to be newly launched. There may be differences between the actual and expected timeline for utilising the proceeds for investment in research and development. The specific timeline of utilisation of the proceeds for investments/selective (mergers) acquisitions and the investment in the research and development is subject to the actual timeline of utilisation of the projects. The Company will fullfill the disclosure obligations in accordance with the relevant requirements according to the progress of the projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 2,956 employees as at 31 December 2019. During the year ended 31 December 2019, our staff costs (including directors' remuneration but excluding contributions to any pension plan) were approximately RMB649.3 million. The remuneration policy of the Group is to motivate and retain excellent staff so as to realise the long-term enterprise goals and objectives of the Group. The employee remuneration policy of the Group is determined after taking into account the overall salary level in the industry, employees' performance and other factors. The management regularly reviews the employee remuneration policy and arrangement of the Group.

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

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

HEDGING ACTIVITIES

During the year ended 31 December 2019, the Group had not entered into any hedging transaction in relation to foreign exchange risks or interest risks.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders, on the corporate governance of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board 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.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2019, the Company has complied with all the 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 Group has adopted a set of code with the standard no less favorable than that of the Model Code as set out in Appendix 10 of the Listing Rules (the "**Customised Code**") as its own code of conduct regarding securities transaction by all Directors, supervisors and the relevant employees of the Company. Having made specific enquiry by the Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the required standards as set out in the Customised Code during the Reporting Period. No incident of non-compliance with the Customised Code by such 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 takes decisions objectively in the best interests of the Company.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Composition

The Board currently comprises 11 Directors, consisting of three executive Directors, namely Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin; four non-executive Directors, namely Mr. Zhou Liulai, Mr. Chen Zongyu, Mr Chen Shoulei and Ms. Chang Jinyu, and four independent non-executive Directors, namely Mr. Guo Qingliang, Mr. Meng Yan, Mr. Hui Wan Fai and Mr. Tian Jiahe.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 41 to 52 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 records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2019 is set out below:

	Attendance/Number of Meetings							
Directors	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	Legal Affairs Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Meng Yanbin	7/7		2/2		1/1	1/1	1/1	1/1
Mr. Wu Jian	7/7				1/1		1/1	1/1
Mr. Du Jin	7/7						1/1	1/1
Mr. Zhou Liulai	7/7	2/2			1/1		1/1	1/1
Mr. Chen Zongyu[1]	5/5			3/3	1/1	1/1	0/0	1/1
Mr. Chen Shoulei[2]	5/5				1/1		0/0	1/1
Ms. Chang Jinyu[3]	0/0						0/0	0/0
Mr. Guo Qingliang	7/7		2/2	3/3		1/1	1/1	1/1
Mr. Meng Yan	7/7	2/2		3/3			1/1	1/1
Mr. Hui Wan Fai	7/7	2/2	2/2			1/1	1/1	1/1
Mr. Tian Jiahe[4]	0/0						0/0	0/0

1 Mr. Chen Zongyu was appointed as a non-executive Director at the 2018 AGM held on 28 June 2019

2 Mr. Chen Shoulei was appointed as a non-executive Director at the 2018 AGM held on 28 June 2019

3 Ms. Chang Jinyu was appointed as a non-executive Director at the 2019 extraordinary general meeting held on 30 December 2019

4 Mr. Tian Jiahe was appointed as an independent non-executive Director at the 2019 extraordinary general meeting held on 30 December 2019

CORPORATE GOVERNANCE REPORT (CONTINUED)

Apart from regular Board meetings, the chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other directors on 30 August 2019. 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

During the year ended 31 December 2019, 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 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 commencing from the date of appointment to the expiry of the current session of the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 first occasion of his/her 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 organise relevant training courses for all Directors in due course at the Company's expenses.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2019, the Company organised 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 during the year ended 31 December 2019 are summarised 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. Chen Zongyu	A
Mr. Chen Shoulei	A
Ms. Chang Jinyu	B
Independent Non-executive Directors	
Mr. Guo Qingliang	A
Mr. Meng Yan	A
Mr. Hui Wan Fai	A
Mr. Tian Jiahe	B

Note:

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD COMMITTEES

The Board has established five committees, namely, the Audit and Risk Management Committee, Nomination Committee, Remuneration and Appraisal Committee, Strategy Committee and Legal Affairs 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, Nomination Committee, Remuneration and Appraisal Committee, Strategy Committee and Legal Affairs Committee are posted on the Company's website and/or the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit and Risk Management Committee

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

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.

During the year ended 31 December 2019, the Audit and Risk Management Committee held two meeting to review, in respect of the year ended 31 December 2019, the interim and annual 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 twice without the presence of the executive Directors.

The attendance of the Audit and Risk Management Committee meetings is set out under "Attendance Records of Directors and Board Committee Members" on page 26.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors and one executive Director, namely 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, before making recommendation to the Board.

During the year ended 31 December 2019, the Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of non-executive and 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 26.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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. During the year ended 31 December 2019, there were additional appointment of non-executive director and independent non-executive director in the composition of the Board.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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. Chen Zongyu 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.

During the year ended 31 December 2019, the Remuneration and Appraisal Committee met three times during the year 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 in the Notes to the Financial Statements for the year ended 31 December 2019.

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

	2019	2018
Emoluments Band (RMB)	**Number of Individuals**	Number of Individuals
Less than 500,000	**–**	–
500,000 – 800,000	**–**	3
More than 800,000	**3**	–
Total	**3**	3

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

The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Board Committee" on page 26.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Strategy Committee

The Strategy Committee consists of two executive Directors and three non-executive Directors, namely Mr. Meng Yanbin (chairman), Mr. Wu Jian, Mr. Zhou Liulai, Mr. Chen Zongyu and Mr. Chen Shoulei.

The principal duties of the Strategy Committee include considering various special development strategies and plans of the Company and to make recommendations to the Board and assisting with other matters specified by laws, regulations, administrative rules and the rules of the securities supervision and administration authority of the place where the shares of the Company are listed and authorised by the Board.

During the year ended 31 December 2019, the Strategy Committee met once to review the development strategy and plans of the Company.

The attendance records of the Strategy Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 26.

Legal Affairs Committee

The Legal Affairs Committee consists of one executive Director, one non-executive Director and two independent non-executive Directors, namely Mr. Meng Yanbin (chairman), Mr. Chen Zongyu, Mr. Guo Qingliang and Mr. Hui Wan Fai.

The principal duties of the Legal Affairs Committee include performing the duties and responsibilities of promoting the law-based and law-compliant construction, researching and formulating the plan for implementing the law-based and law-compliant construction and reporting it to the Board for consideration and approval, considering the overall objectives for the law-based administration and law-compliant administration and the basic system of the Company, and to advise thereon, considering the system of the law-based and law-compliant administration, the setup of authorities and their duties and responsibilities and to advise thereon, supervising and evaluate the law-based and law-compliant administration of the Company, and to check the implementation by the Company in the compliance with laws and regulatory requirements and assisting other matters specified by the Articles of Association and authorised by the Board.

During the year ended 31 December 2019, the Legal Affairs Committee met once to consider the Company's major decision on law-based construction and law-compliant management, providing professional opinions for the Board and ensuring the long-term stable and sustainable development of the Company.

The attendance records of the Legal Affairs Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 26.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019, the Board of Supervisors comprised 5 Supervisors, namely Mr. Zhang Qingjun, Mr. Liu Zhonglin, Mr. Zhang Guoping, 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 41 to 52 of this annual report.

Mr. Chen Shoulei has resigned as a Supervisor with effect from 28 March 2019. Mr. Zhang Guoping was appointed as a Supervisor on 28 June 2019 for a term of office until the date on which the term of office of the second session of the Board of Supervisors expires.

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 and annual results announcement, the interim and annual 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. Zhang Guoping (appointed on 28 June 2019)	1/1
Mr. Li Guoxiang	2/2
Mr. Zhang Yiming	2/2
Mr. Chen Shoulei (resigned on 28 March 2019)	1/1

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019.

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, during the year ended 31 December 2019, 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 unauthorised 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019.

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 85 to 89.

AUDITORS' REMUNERATION

The remuneration payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2019 amounted to RMB2.45 million, and RMB1.93 million 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 2019 is set out below:

Service Category	Fees Paid RMB
Audit Services	520 thousand
Non-audit Services	0 thousand
Total	**520 thousand**

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 specialising 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 2019, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

GENERAL MEETING

In 2019, the Company convened two general meetings.

On 28 June 2019, the 2018 AGM was convened on-site and Shareholders holding an aggregate of 287,775,339 Shares, representing 89.96% of the Company's total issued shares, attended the meeting.

On 30 December 2019, the 2019 extraordinary general meeting of the Company was held on-site and Shareholders holding an aggregate of 300,782,832 Shares, representing 94.03% of the Company's total issued shares, attended the meeting.

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 Shareholders' 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, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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, 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, 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: Room 418, South 4th Floor, Building 1, No. 66 Changwa Middle Street, Haidian District, Beijing, PRC
(For the attention of the Joint Company Secretary)
Fax: +86 10 68512374
Email: ir@circ.com.cn

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 AGMs and other general meetings. At the AGM, 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 30 December 2019, the Board approved the proposed amendments to the Articles of Association set out in the circular dated 5 December 2019.

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 51, 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 November 2011, Mr. Meng worked as a technical cadre, assistant director and deputy director of the institution office, director and assistant to the president of the foreign trade office, and manager of the foreign trade company and vice president at Faculty 5 of Research Institute of Physical and Chemical Engineering of Nuclear Industry ("**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, 2018 and July 2019, he has been a council member of Tianjin Institute of Industrial Engineering (天津市工業工程學會理事), a council member of Chinese Nuclear Society and a vice president of the Precision Radiotherapy and Brachytherapy Branch of Chinese Nuclear Society (中國核學會精準放療與近距離治療分會), respectively.

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

Mr. Wu Jian (武健), aged 57, 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 March 2000, he successively served as engineer, deputy manager of the foreign operation division, assistant of the general manager, manager of the trade division and senior engineer of CIRC. From March 2000 to May 2002, Mr. Wu successively studied at Suzhou Medical College and AEAT Company of the United Kingdom sponsored by government funding for work and study. From May 2002 to July 2002, he served as general manager of Shenzhen CICAM Manufacturing Co., Ltd., from July 2002 to December 2006, he served as deputy general manager of China Isotope Company Limited, during the period, he served as general manager of Shenzhen CICAM Manufacturing Co., Ltd. from July 2002 to September 2003, and deputy general manager and the secretary of the Discipline Inspection Committee of China Isotope from December 2006 to March 2011. 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. Since 2005, Mr. Wu has been a council member and deputy president of the psychological affairs of Nanjing Clinical Nuclear Medicine Laboratory (南京臨床核醫學檢驗中心). Mr. Wu served as the director of HTA from April 2012 to April 2016 and the chairman of the board of directors of HTA from April 2016 to June 2017. He served as the director of CNGT from May 2012 to April 2019. He also served as the chairman of the board of directors of Headway from February 2007 to March 2017 and from March 2018 to April 2019. 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 has been a standing committee member of the 10th Committee of the Nuclear Medicine Branch of Beijing Medical Association. Since October 2016, he has been the executive vice president and legal representative of the sixth Council of China Isotope and Radiation Industry Association. Since November 2019, he has been a standing committee member of the Wu Jieping Foundation Nuclear Medicine Expert Committee (吳階平基金會核醫學專家委員會).

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

Mr. Du Jin (杜進), aged 54, 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 deputy director of Section 51 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, deputy chief engineer and manager of the technical development division of the Company and its predecessor, China Isotope, from June 2006 to May 2016. He has served as the chief engineer of the Company since May 2016, and served as executive director of the Company since February 2017. From January 2017 to June 2018, Mr. Du served as a director of Shanghai GMS Pharmaceutical, and a director of HTA from April 2016 to April 2019.

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 and a standing committee member of the Ninth 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 and Sixth 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 and Second 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 September 2018, he has been a vice president of the first Council of the Radiopharmaceuticals Branch of China Nuclear Society. Since January 2019, he has been a deputy leader of the nuclear professional group of the China Commission of Science, Technology and Industry for National Defense (中國國防科技工業科學技術委員會核領域專業組). Since April 2019, he has been a member of the tenth Editorial Board of the Chinese Journal of Nuclear Medicine and Molecular Imaging.

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

NON-EXECUTIVE DIRECTORS

Mr. Zhou Liulai (周劉來), aged 57, 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 April 2019, 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. Chen Shoulei (陳首雷), aged 54, is a non-executive Director of the Company. Before joining the Company, from October 1986 to December 2007, Mr. Chen served as assistant accountant, accountant of the finance division, vice section chief of the finance section, acting deputy chief, deputy chief, chief of the finance division, and director of the financial assets division in the Fifth Institute of the Nuclear Industry. From January 2008 to January 2013, Mr. Chen served worked as deputy director and senior accountant in the financial division of China Nuclear Power Engineering. From January 2013 to March 2016, Mr. Chen served worked as director of the supervision and audit division of China Nuclear Power Engineering. From February 2017 to March 2019, Mr. Chen was a shareholder representative supervisor of the Company. Since March 2016, Mr. Chen has been the chief accountant of Nuclear Power Institute of China.

Mr. Chen received a Bachelor's Degree in Auditing (Accounting) from Wuhan University in July 1995. Mr. Chen 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.

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

Mr. Chen Zongyu (陳宗裕), aged 59, is a non-executive Director of the Company. Before joining the Company, he was the principal and secretary of 272 Factory Workers' Children Middle School (二七二廠子弟中學) from August 1982 to August 1995, and the assistant director of the General Office of CNNC Mining Bureau (中核總礦業局) from August 1995 to August 1996. From August 1996 to May 2002, Mr. Chen worked at 272 Factory (二七二廠) as deputy secretary of the Discipline Inspection Committee, head of the Discipline Inspection Group, deputy secretary of the Standing Committee, secretary of the Discipline Inspection Committee, deputy secretary of the Standing Committee and secretary of the Standing Committee. From June 2002 to March 2014, Mr. Chen worked with Jiangxi Mining and Metallurgy Bureau (江西礦冶局) as deputy director general, leader of the Discipline Inspection Group, director general and secretary of the Party Committee. From March 2011 to April 2014, Mr. Chen was the director of the Construction Preparation Office of CNNC Jiangxi Nuclear Power (中核江西核電籌建處). From March 2014 to July 2016, Mr. Chen was the general manager and secretary of the Party Committee of Shanghai Nuclear Puyuan Corporation (上海中核浦原有限公司). From April 2014 to July 2016, he was also the director of the Shanghai Liaison Department of CNNC. From July 2016 to November 2018, Mr. Chen acted as a deputy general manager of Shanghai Nuclear Puyuan Corporation (上海中核浦原有限公司). Since November 2018, Mr. Chen has been a full-time director of CNNC.

Mr. Chen graduated from Hunan National University with a bachelor's degree in History in July 1982.

Ms. Chang Jinyu (常晉峪), aged 48, is a non-executive Director of the Company. Before joining the Company, she served as an engineer of the Structural Design Department of Hangzhou Dongfang Communication Metalworking Factory (杭州東方通信金工分廠) from July 1994 to January 1997. She acted as the deputy general manager of the Project Department of Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司) from June 2000 to April 2005. She was the senior manager of the Investment Planning Department of SIIC (上實集團) from April 2005 to April 2006, the assistant supervisor and supervisor of the Business Administration Department of SIIC Management (Shanghai) Limited (上實管理(上海)有限公司) from April 2006 to April 2010, the supervisor of the Investment Department of SIIC Management (Shanghai) Limited (上實管理(上海)有限公司) from April 2010 to March 2013, and the assistant general manager of SIIC Management (Shanghai) Limited (上實管理(上海)有限公司) from March 2013 to March 2014. Since March 2014, she has been the executive deputy general manager (part-time) of Shanghai Road and Bridge Development Co., Ltd. (上海路橋發展有限公司). Since August 2017, she has been the deputy general manager (part-time) of SIIC Management (Shanghai) Limited (上實管理(上海)有限公司). Since September 2018, she has been the deputy general manager of Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司) as well as the chairperson of SIIC Hangtai Galaxy Energy Co., Ltd. (上實航太星河能源有限公司).

In July 1994, Ms. Chang Jinyu graduated from Shanghai Jiao Tong University majoring in mechanical design and process and obtained a bachelor's degree in Engineering. In June 2000, she graduated from Shanghai University of Finance and Economics majoring in money and banking and obtained a master's degree in Finance.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Qingliang (郭慶良), aged 64, 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 1982.

Mr. Meng Yan (孟焰), aged 64, 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.

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

Mr. Hui Wan Fai (許雲輝), aged 43, 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.

Mr. Tian Jiahe (田嘉禾), aged 69, is an independent non-executive Director of the Company. Before joining the Company, he was a resident physician of the Radiology Department of The General Hospital of the People's Liberation Army (解放軍總醫院) from January 1976 to October 1976, a physician-in-charge and associate chief physician of the Isotopes Office of the Radiology Department of The General Hospital of the People's Liberation Army (解放軍總醫院) from October 1976 to June 1987, a chief physician and professor of the Nuclear Medicine Department of The General Hospital of the People's Liberation Army (解放軍總醫院) from June 1987 to November 2000, and a chief physician of the Medical Imaging Centre of The General Hospital of the People's Liberation Army (解放軍總醫院) from November 2000 to December 2017. Since December 2017, he has been a deputy chief of the Professor Board of the Nuclear Medicine Department, member of the Party Committee and head of the Medical Imaging Centre of The General Hospital of the People's Liberation Army (解放軍總醫院).

In December 1975, Mr. Tian Jiahe graduated from School of Radiology of the Medical School of Jilin University (吉林醫科大學) and obtained a bachelor's degree in Medicine. In December 1980, he graduated from The University of New South Wales, Australia (澳大利亞新南威爾士大學) with a master's degree in Medicine.

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

SUPERVISORS

Chairman of the Board of Supervisors

Mr. Zhang Qingjun (張慶軍), aged 49, is a Supervisor and chairman of the Board of Supervisors of the Company. Before joining the Company, from August 1991 to October 2010, 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 Shijiazhuang Management Officer Academy in June 1998. He graduated from the Renmin University of China 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 the chairman of the board of supervisors of Zhonghe New Energy Company Limited (中核新能源有限公司) from September 2017 to September 2019. 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 51, 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.

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

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

Mr. Li Zhenhua (李振華), aged 35, is an employee representative supervisor of the Company. He worked as an assistant engineer in the second medical department of HTA Co., Ltd. from August 2007 to October 2011; an engineer in the ionization chamber of Beijing Radiation Safety Technology Center (北京市輻照安全技術中心) from October 2011 to December 2012; a supervisor and senior engineer in the chemical environmental protection department of Yangjiang Nuclear Power Co., Ltd. from December 2012 to July 2018; a supervisor and senior engineer in the Company's technology development department from July 2018 to now. Mr. Li graduated from Sichuan University majoring in chemistry and obtained a bachelor's degree in science in July 2007. Mr. Li is also a senior engineer.

Mr. Zhang Jian (張建), aged 35, is an employee representative supervisor of the Company. He was mainly responsible for financial management of overseas projects at China Petroleum Pipeline Engineering Co., Ltd. from July 2007 to December 2017. He served as the finance supervisor in Beijing Mineral Resources Development Co., Ltd. (北京城市礦產資源開發有限公司) from December 2017 to June 2018, and has been the supervisor of the Company's financial management department since June 2018. Mr. Zhang graduated from Renmin University of China majoring in accounting and obtained a bachelor's degree in management in July 2007. Mr. Zhang is also an accountant.

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

SENIOR MANAGEMENT

Mr. Wu Jian (武健), aged 57, 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 46, is the chief accountant, chief legal officer and joint company secretary of the Company. Prior to joining the Company, from July 1995 to August 2005, Mr. Wu successively served as the accountant of Shenzhen Huawei Electronics Co., Ltd.(深圳華威電子有限公司), Shenzhen Fude Electric Co., Ltd. (深圳阜德電器有限公司), Hardware Plastic Products Factory of Shenzhen CNNC Xiehe Industry Company and Shenzhen CNNC Xiehe Industry Company, a cashier of China National Nuclear Corporation (Shenzhen) Limited, and an accountant of China Nuclear Energy Industry (Shenzhen) Company (中國原子能工業深圳公司) and China National Nuclear Corporation (Shenzhen) Limited (深圳中核集團公司). From August 2005 to February 2007, he served as deputy chief of the company administrative section of the asset operation division of CNNC. From February 2007 to April 2009, he served as deputy manager of finance division of China National Nuclear Corporation (Shenzhen) Limited. From April 2009 to January 2011, he served as the person in charge and manager of 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. From April 2016 to April 2019, he served as a director of HTA and CNGT. From May 2016 to April 2019, 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 54, 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.

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

Mr. Fan Guomin (范國民), aged 49, 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 June 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 served as the chairman of the board of directors of HTA from June 2017 to April 2019, and the chairman of the board of directors of CNGT from July 2017 to April 2019. From March 2017 to March 2018, 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 March 2016, he has been the director and deputy chairman of Beijing Clae-riar Rediosotope Technique Co., Ltd. Since April 2017, he has been the director and deputy chairman of Shenzhen CICAM Manufacturing 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. Since May 2018, he has been the vice president of Beijing Radiation Safety Research Association (北京市輻射安全研究會).

Mr. Wang Suohui (王鎖會), aged 45, 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 June 2002 to December 2007, he successively served as director, assistant general manager and senior engineer of the Fourth Research and Design Engineering Corporation of CNNC. From October 2006 to March 2008, he worked at the construction division of the Comprehensive Planning Department of CNNC (中核集團公司綜合計劃部建設處) (on secondment). From March 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. From May 2017 to April 2019, he also served as the chairman of the board of directors of BINE and Tongxing Company (同興公司). From January 2018 to April 2019, he served as a director of Taizhou Company (泰州公司). Since May 2018, he has been the director and vice chairman of CNNC Nuclide Medical Investment Co., Ltd. (中核核素醫療投資有限公司). In March 2019, he has also served as the director and chairman of CNNC Accuray (Tianjin) Medical Technology Co., Ltd. (中核安科銳(天津)醫療科技有限責任公司).

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 professorship senior engineer. Since May 2019, he has served as the deputy chairman of the Radioactive Medicine and Radiation Protection Branch (放射醫學與輻射防護分會) (the Radioactive Medicine and Radiation Protection Alliance (放射醫學與輻射防護聯盟)) of China Isotope and Radiation Industry Association.

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

JOINT COMPANY SECRETARIES

Mr. Wu Laishui (吳來水), aged 46, 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 52, 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 28 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 sterilisation 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 2019 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 Financial Statements" sections of this annual report respectively. The above sections form part of this report.

6. DIVIDEND

The Board resolved to declare a final dividend of RMB0.1389 per Share (inclusive of tax) for 2019 (the "**2019 Final Dividend**") to Shareholders whose names appear on the register of members of the Company on 13 July 2020, with a total cash dividend to be distributed of RMB44,430,623.61. The 2019 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 2020. 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 30 June 2020. Details of the dividend distribution will be published after the AGM.

The AGM will be convened by the Company on 30 June 2020. The register of members of the Company will be closed from Sunday, 31 May 2020 to Tuesday, 30 June 2020 (both dates inclusive) and from Wednesday, 8 July 2020 to Monday, 13 July 2020 (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 30 June 2020 will be entitled to attend and vote at the AGM. Shareholders whose names appear on the register of members of the Company on 13 July 2020 will be entitled to receive the 2019 Final Dividend. In order to be qualified as Shareholders to attend and vote at the AGM, Shareholders of the Company must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office at Room 418, South 4th Floor, Building 1, No. 66, Changwa Middle Street, Haidian District, Beijing, China (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Friday, 29 May 2020. In order to be qualified as Shareholders to receive the 2019 Final Dividend (subject to the approval by Shareholders at the AGM), Shareholders must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar (see the address above) (for holders of H Shares) or the Company's registered office (see the address above) (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Tuesday, 7 July 2020.

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 "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.

DIRECTORS' REPORT (CONTINUED)

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 2019, we had RMB1,097.9 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 2019, there were no material and substantive disputes between the Group and its employees, customers and suppliers.

During the year ended 31 December 2019, revenue from our sales to the five largest customers of the Company accounted for approximately 0.9%, 0.7%, 0.6%, 0.5% and 0.4% of the total revenue of the Company, respectively, totally representing 3.2% of the total revenue of the Company. For the year ended 31 December 2019, the purchase amount from the five largest suppliers of the Company accounted for approximately 5.7%, 4.8%, 4.4%, 4.0% and 2.6% of the aggregate amount of goods procurement and subcontracting purchase and other costs of the Company, respectively, totally representing 21.5% 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 2019 are set out in Notes 13, 15 and 14 to the "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.

DIRECTORS' REPORT (CONTINUED)

15. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN CONTRACTS

Save as the service contracts, no Directors, Supervisors and senior management or entities connected with Directors, Supervisors and senior management 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 2019, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to Directors by the Company was RMB3,161,341.06.

In 2019, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to Supervisors by the Company was RMB1,231,020.85.

In 2019, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to senior management by the Company was RMB2,694,444.47.

In 2019, 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 RMB2,709,227.71.

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 RMB1,408,580.94 and RMB727,396.06 for the year ended 31 December 2019, respectively.

DIRECTORS' REPORT (CONTINUED)

17. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2019, 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 and senior management 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 executive Director, non-executive Director and independent non-executive Director has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date. These service agreements 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 any of its subsidiaries which is not determinable within one year without the payment of compensation (other than statutory compensation).

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

As of 31 December 2019, 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 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 2019, the Company had arranged Directors', Supervisors' and officers' liability insurance for all Directors, Supervisors 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.

DIRECTORS' REPORT (CONTINUED)

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

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

To the best knowledge of the Company, as of 31 December 2019, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our share capital:

Shareholder	Class of Shares	Nature of interest	Number of Shares held[6]	Approximate percentage of shareholding in the relevant class of Shares (%)	Approximate percentage of shareholding in the total share capital of our Company (%)
CNNC[1]	Domestic Shares	Beneficial owner/Interest of controlled corporation	236,150,233(L)	98.43	73.83
CIAE	Domestic Shares	Beneficial owner	58,534,835(L)	24.40	18.30
NPIC	Domestic Shares	Beneficial owner	46,994,835(L)	19.59	14.69
CNNC Fund	Domestic Shares	Beneficial owner	18,779,342(L)	7.83	5.87
Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**")[2]	H Shares	Interest of controlled corporation	19,912,400(L)	24.90	6.23
Shanghai Industrial Investment Treasury Company Limited[2]	H Shares	Interest of controlled corporation	11,906,400(L)	14.89	3.72
Shanghai Investment Holdings Limited[2]	H Shares	Interest of controlled corporation	11,906,400(L)	14.89	3.72
Shanghai Industrial Holdings Limited ("**SIHL**")[2]	H Shares	Interest of controlled corporation	11,906,400(L)	14.89	3.72
S.I. Infrastructure Holdings Limited[2]	H Shares	Interest of controlled corporation	11,906,400(L)	14.89	3.72
Sure Advance Holdings Limited ("**Sure Advance**")[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
Beijing State-owned Assets Management Co., Ltd.[3]	H Shares	Interest of controlled corporation	10,899,000(L)	13.63	3.41

DIRECTORS' REPORT (CONTINUED)

Shareholder	Class of Shares	Nature of interest	Number of Shares held[6]	Approximate percentage of shareholding in the relevant class of Shares (%)	Approximate percentage of shareholding in the total share capital of our Company (%)
Beijing Industrial Developing Investment Management Co., Ltd.[3]	H Shares	Beneficial owner	10,899,000(L)	13.63	3.41
China Structural Reform Fund Corporation Limited	H Shares	Beneficial owner	8,155,000(L)	10.20	2.55
Serenity Capital Management, Ltd.[4]	H Shares	Investment manager	4,801,600(L)	6.00	1.50
Serenity Investment Master Fund Limited	H Shares	Beneficial owner	4,801,600(L)	6.00	1.50
Pandanus Associates Inc. ("**Pandanus Associates**")[5]	H Shares	Interest of controlled corporation	5,685,600(L)	7.11	1.78
Pandanus Partners L.P. ("**Pandanus Partners**")[5]	H Shares	Interest of controlled corporation	5,685,600(L)	7.11	1.78
FIL Limited ("**FIL**")[5]	H Shares	Interest of controlled corporation	5,685,600(L)	7.11	1.78
FIDELITY CHINA SPECIAL SITUATIONS PLC ("**FIDELITY CHINA**")	H Shares	Beneficial owner	5,651,600(L)	7.07	1.77

Notes:

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

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

DIRECTORS' REPORT (CONTINUED)

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

4. Serenity Investment Master Fund Limited is 100% controlled by Serenity Capital Management, Ltd.. By virtue of the SFO, Serenity Capital Management, Ltd. is deemed to be interested in the 4,801,600 H Shares held by Serenity Investment Master Fund Limited.

5. FIDELITY CHINA is managed by FIL Investment Services (UK) Limited, an indirect wholly-owned subsidiary of FIL. FIL is indirectly controlled by Pandanus Partners, which is indirectly and wholly owned by Pandanus Associates. By virtue of the SFO, FIL, Pandanus Partners and Pandanus Associates are deemed to be interested in the 5,651,600 H Shares held by Fidelity China.

6. (L) represented long position.

Save as disclosed herein, as of 31 December 2019, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who has an interest or short position, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

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.

DIRECTORS' REPORT (CONTINUED)

CNNC's Interests in Certain Excluded Entities

As of 31 December 2019, 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 2019)	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
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

DIRECTORS' REPORT (CONTINUED)

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2019)	Principal business	Excluded business	Reason for exclusion
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-sourcebased 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	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

DIRECTORS' REPORT (CONTINUED)

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 2019, 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.

DIRECTORS' REPORT (CONTINUED)

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.

(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.

In addition, each of CIRP, CIAE, NPIC, 404 Company and CNEIC entered into non-competition undertaking with the Company on 12 August 2016, 1 August 2016, 5 August 2016, 18 August 2016 and 18 August 2016, respectively.

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

25. CONNECTED TRANSACTIONS

Connected Persons

As of 31 December 2019, 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.

DIRECTORS' REPORT (CONTINUED)

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. *CNNC Finance Company Limited ("**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 centralised management of fund within the CNNC group, improves the fund utilisation efficiency and the financial management services for CNNC groups' member units. The business scope 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 Co., Ltd. ("**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.

F. *CIAE*

CIAE is one of the Shareholders of the Company, and a second-level entity actually controlled and managed by CNNC as the Company. It is mainly engaged in 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.

g. *Beijing Yuanke Technology Development Co., Ltd.*

Beijing Yuanke Technology Development Co., Ltd. is a company incorporated in the PRC with limited liability, and a platform company engaged in the transfer use of research result and foreign investment management by CIAE.

h. *Hynergy Industrial Funds Management Co., Ltd. ("**Hynergy Industrial Funds**")*

Hynergy Industrial Funds was established on 18 November 2016 with a registered capital of RMB200 million. It is registered with the Asset Management Association of China as a private equity fund manager. Hynergy Industrial Funds was initiated by CNNC Capital Holdings Limited ("**CNNC Capital**") and jointly funded and established by China Aerospace Science and Technology Corporation (中國航天科技集團公司) (a joint strategic alliance partner), China Development Bank, China Life Insurance (Group) Company (中國人壽保險(集團)公司) and Agricultural Bank of China. It is held as to 35% by CNNC Capital, as to 20% by China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) and as to 15% by each of China Life Asset Management Company Limited (中國人壽資產管理有限公司), China Aerospace Investment Holdings Ltd. (航天投資控股有限公司) and ABCI Corporate Management Co., Ltd (農銀國際企業管理有限公司).

i. *CNNC Capital*

CNNC Capital was established in July 2016 and is a wholly-owned subsidiary of CNNC, with a registered capital of RMB7.08 billion. As a specialised management platform for the financial sector of CNNC, CNNC Capital is positioned as a center of industrial finance risk control, industrial finance investment control, industrial financial resource allocation and industrial finance business collaboration of CNNC.

j. *CNNC SUFA Technology Industry Co., Ltd. ("**CNNC Technology**")*

CNNC Technology was established in 1952 as a technology-based manufacturing company engaged in research, development, design, manufacture and sales of industrial valves. It provides valve system resolutions to players in sectors of oil, natural gas, oil refining, nuclear power, electricity power, metallurgy, chemical engineering, shipbuilding, papermaking and medicine. It was listed on Shenzhen Stock Exchange in 1997, making itself the first listed company as a subsidiary of CNNC in the valve industry in China. Currently, CNNC is the de facto controlling person of CNNC Technology.

DIRECTORS' REPORT (CONTINUED)

*k. Guizhou Nuclear Industry Xinyuan Industry Co., Ltd. ("**Xinyuan Industry**")*

Xinyuan Industry was established on March 29, 2000 and is mainly engaged in the development and application of chemical products, mineral resource (uranium), metallurgical products, rare metal and non-ferrous metal. CNNC, the controlling Shareholder, holds 100% equity interest in Xinyuan Industry through its wholly-owned subsidiary China National Uranium Co., Ltd. ("**CNUC**"). Therefore, Xinyuan Industry is a connected person of the Company.

*l. Xinjiang Mining and Metallurgy Bureau of Nuclear Industry ("**XMMB**")*

XMMB was established in October 1964. It is a public institution directly under CNNC, and is principally responsible for managing the uranium mining and metallurgy enterprises in Xinjiang, with its businesses controlled and managed by CNUC, a wholly-owned subsidiary of CNNC. Therefore, XMMB is a connected person of the Company.

Connected Transactions in 2019

A. Non-exempt Continuing Connected Transactions

Reference is made to 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 "**Exclusive 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 28 June 2018 in the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" in the Prospectus which constitute continuing connected transactions of the Group.

DIRECTORS' REPORT (CONTINUED)

The above-mentioned agreements were entered into in the ordinary and usual course of business of the Group, the pricing policies of which are determined through arm-length's negotiation based on production costs and current market prices, and the specific terms are concluded on normal commercial terms and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. In addition, the Company has established (1) the reporting, approval and, if necessary, selection & verification procedures, to ensure that the agreed prices and terms of the continuing connected transactions are no less favourable than those that may be granted by relevant members of the Group or by (if applicable) independent third parties, and are in compliance with the pricing policies; and (2) the procedures and policies for the purpose of identifying the connected persons and monitoring the annual caps of continuing connected transactions, and strictly followed internal control measures to manage connected transactions.

The annual caps and actual amount of continuing connected transactions incurred in 2019 are as follows:

		Annual caps for the year ended 31 December 2019 (RMB'000)	Actual amount incurred for the year ended 31 December 2019 (RMB'000)
1	Leasing Agreement	55,000	36,396
2	Supply Agreement	107,640	59,660
3	Purchase Agreement	161,200	99,105
4	Exclusive Sales Agreement	67,320	–
5	Cobalt-60 Supply Agreement	27,560	13,831
6	Consulting Agreement	24,700	21,617
7	Carbon-14 Supply Agreement	18,480	11,435
8	Financial Services Framework Agreement with CNNC		
	• Deposit services		
	(a) Maximum outstanding daily balance	3,082,666	1,354,636
	(b) Interest income	45,778	12,409
	• Settlement, entrusted loans and other financial services		
	(a) Maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC	417,500	154,000
	(b) Service fees for settlement, entrusted loans and other financial services	125.25	35.90
	• Finance leasing services	248,980	16,941

DIRECTORS' REPORT (CONTINUED)

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 and will expire on 31 December 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 and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

DIRECTORS' REPORT (CONTINUED)

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 and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

4. Exclusive Sales Agreement

Parties: The Company (the purchaser); and CIAE (the supplier).

Principal Terms: The Company entered into an exclusive sales 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 nondestructive testing radioactive sources produced by CIAE and/or its associates. The term of the Exclusive Sales Agreement commenced on the Listing Date 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 and will expire on 31 December 2020, subject to renewal as may be agreed upon by both parties.

DIRECTORS' REPORT (CONTINUED)

6. **Consulting Agreement**

Parties:	CNNC Tongxing (the service receiver); and the Company (the service provider).
Principal Terms:	The Company entered into a consulting 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 Consulting Agreement commenced on the Listing Date 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 and will expire on 31 December 2020, subject to renewal as may be agreed on by both parties.

8. **Financial Services Agreement**

Parties:	The Company (service recipient); and CNNC (service provider).
Principal Terms:	The Company renewed the Financial Services Agreement with CNNC on 28 June 2019, 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 Agreement will expire on the earlier of 2019 AGM of the Company to be convened on 30 June 2020.

DIRECTORS' REPORT (CONTINUED)

B. Non-exempt Continuing Connected Transactions

1. Connected Transaction in relation to the Acquisition of 100% Equity Interest in Beijing Leike Mechatronic Engineering Technology Co., Ltd. ("Beijing Leike")

Reference is made to the section headed "Relationship with the Controlling Shareholder" in the Prospectus in relation to, among other things, the Non-competition Undertaking of CIAE, pursuant to which the Company may consider acquiring a controlling stake in the Beijing Leike from CIAE, at a market price as and when appropriate. On March 29 2019 (after trading hours), the Company and CNGT, a non-wholly-owned subsidiary of the Company, entered into an equity transfer agreement in respect of the Beijing Leike with Beijing Yuanke Technology Development Co., Ltd., pursuant to which CNGT has agreed to acquire 100% equity interest in the Beijing Leike from Beijing Yuanke Technology Development Co., Ltd. at a consideration of RMB51,002,000 (equivalent to HK$59,672,340), and Beijing Leike became an indirect non-wholly-owned subsidiary of the Company.

The consideration is arrived at after arm's length negotiation between the Company, CNGT, Beijing Yuanke Technology Development Co., Ltd. and CIAE with reference to, among other things, the valuation results of the Company prepared by an independent valuer, China Alliance Appraisal Co., Ltd. The book value of the assets of Beijing Leike as of the 30 November 2018 amounted to RMB43,210,808.43 and the net assets amounted to RMB36,451,040.84. The value of the total shareholders' equity interests assessed by using the income approach was RMB51,002,000, representing a value-added rate of 39.92%. The valuer, with reference to (i) the industry development; (ii) the prospects, development opportunities and business plans of Beijing Leike, evaluates the value of the entire equity of Beijing Leike by using the discounted cash flow method under the income approach and based on the assumptions with respect to the macroeconomic environment and going concern.

2. Connected Transaction in relation to the Capital Increase of Headway

On 28 June 2019, the Company entered into a capital increase agreement with CNNC Technology, HTA (a non-wholly-owned subsidiary of the Company), Guangzhou Yanghui Investment and Consultation Co., Ltd. ("**Guangzhou Yanghui**") and Chen Shixiong. The parties increased of RMB175 million in cash in the capital of Headway (a indirect non-wholly-owned subsidiary of the Company), which shall be subscribed by the parties according to their current proportions of shareholdings. Upon the completion of the capital increase, the registered capital of Headway will increase from RMB25 million to RMB200 million (equivalent to HK$226 million), with the proportion of shareholding of each parties remaining unchanged. Given that the Company and HTA hold 34.1% and 20% equity interest in Headway, respectively, they shall make a contribution of RMB94,675,000 (equivalent to HK$106,982,750) in aggregate.

The amounts of capital contribution are determined by all parties through arm's length negotiations, taking into account a number of factors, such as the potential of business development, plan for business expansion and capital requirements of Headway.

DIRECTORS' REPORT (CONTINUED)

3. **Connected Transactions in relation to the Establishment of Two Joint Venture Companies By HTA**

On 28 June 2019, HTA (a non-wholly-owned subsidiary of the Company) and Xinyuan Industry entered into an investment agreement, pursuant to which the parties agreed to establish the Guiyang JV Company in the PRC ("**Guiyang JV Agreement**"); HTA and XMMB entered into an investment agreement, pursuant to which the parties agreed to establish the Xinjiang JV Company in the PRC ("**Xinjiang JV Agreement**").

a. Guiyang JV Agreement

Parties:	HTA; and Xinyuan Industry
Principal Terms:	The registered capital of the Guiyang JV Company shall be RMB32,500,000. HTA will contribute capital of RMB27,625,000 (equivalent to HK$31,216,250) to the Guiyang JV Company in cash, and Xinyuan Industry will contribute capital of RMB4,875,000 (equivalent to HK$5,508,750) to the Guiyang JV Company in cash, representing 85% and 15% equity interest in the Guiyang JV Company, respectively. The total amount of investment and the shareholding structure are determined by the parties through arm-length's negotiation after taking into account the Guiyang JV Company' business needs. The Guiyang JV Company will become a subsidiary of the Company, and its results will be consolidated into the financial statements of the Group.

b. Xinjiang JV Agreement

Parties:	HTA; and XMMB
Principal Terms:	The registered capital of the Xinjiang JV Company shall be RMB32,000,000. HTA will contribute capital of RMB24,320,000 (equivalent to HK$27,481,600) to the Xinjiang JV Company in cash, and XMMB will contribute capital of RMB7,680,000 (equivalent to HK$8,678,400) to the Xinjiang JV Company in cash, representing 76% and 24% equity interest in the Xinjiang JV Company, respectively. The total amount of investment and the shareholding structure are determined by the parties through arm-length's negotiation after taking into account the Xinjiang JV Company' business needs. The Xinjiang JV Company will become a subsidiary of the Company, and its results will be consolidated into the financial statements of the Group.

4. **The Tongchuang Investment Partnership (Limited Partnership) Partnership Agreement and the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement**

On 30 December 2019, the Tongchuang Investment Partnership (Limited Partnership) Partnership Agreement and the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement and the transactions contemplated thereunder were considered and approved at the extraordinary general meeting of the Company.

The Company will contribute a total of RMB1,207.5 million to the Tongchuang Investment Partnership (Limited Partnership) ("**Tongchuang Investment**") and the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) ("**Tongfu Fund**"), of which, the initial contribution of the Company will be RMB480 million and the remaining contribution is contingent on the progress of the initial contribution and the subsequent operation of the funds. Among the initial contribution of RMB480 million, RMB200 million will be funded through utilising the proceeds of the Global Offering while the remaining of the initial contribution will be funded through other internal resources. For the remaining contribution of RMB727.5 million, it will be funded through dividends of group companies and other internal resources without utilising any IPO proceeds.

a. Principal Terms of the Tongchuang Investment Partnership (Limited Partnership) Partnership Agreement

Parties:	Hynergy Industrial Funds (as the general partner); the Company (as the limited partner);and Tongxin Business Management (Tianjin) Partnership (Limited Partnership) ("**Tongxin Investment**") (as the limited partner)
Principal Terms:	The total amount of contribution paid by the partners was RMB42.5 million, of which: Hynergy Industrial Funds contributed RMB25 million, accounting for 58.82%; the Company contributed RMB7.5 million, accounting for 7.65%; Tongxin Investment contributed RMB10 million, accounting for 23.53%. The contribution to Tongchuang Investment was determined by the Parties after arm's length negotiations with reference to the capital requirements of Tongchuang Investment. The Company will not consolidate its financial statements with those of Tongchuang Investment. The investment in the Tongchuang Investment held by the Company will be recognised as interests in associates in the consolidated financial statements of the Company.

DIRECTORS' REPORT (CONTINUED)

b. Principal Terms of the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement

Parties:	Tongchuang Investment (as the general partner); the Company (as the limited partner); CNNC Capital (as the limited partner); and Beijing Science & Technology Innovation Fund ("**BSIF**") (as the limited partner)
Principal Terms:	The total amount of contribution paid by the partners was RMB2,500 million, of which: Tongchuang Investment contributed RMB50 million, accounting for 2%; the Company contributed RMB1,200 million, accounting for 48%; CNNC Capital contributed RMB800 million, accounting for 32%; BSIF contributed RMB450 million, accounting for 18%. The contributions to Tongfu Fund were determined by the Parties after arm's length negotiations with reference to the capital requirements of Tongfu Fund. The Company will not consolidate its financial statements with those of Tongfu Fund. The Company's investments in the Tongfu Fund will be recognised as interests in associates in the consolidated financial statements of the Company.

The registrations for the aforesaid two partnerships were completed in January 2020, with approved names of Beijing Tongchuang Hi-Tech Investment Partnership Enterprise (Limited Partnership) (北京同創高科投資合作企業（有限合夥）) and Beijing Tongfu Innovation Industrial Investment Fund Partnership Enterprise (Limited Partnership) (北京同輻創新產業投資基金合夥企業（有限合夥）).

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2019 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 in the interests of the Shareholders of the Company as a whole; and

(iii) according to the proposed annual caps that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS' REPORT (CONTINUED)

Confirmation from the Independent Auditor

Pursuant to Chapter 14A.56 of the Listing Rules, the Company's auditor was engaged by the Board 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.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 67 to 75 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

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.

DIRECTORS' REPORT (CONTINUED)

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 22 to the "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.

In order to further improve the corporate governance structure, fully mobilise the enthusiasm of senior management and core personnel, and support the Company's strategic realisation and sustainable development, the plan for the first tranche of Share Appreciation Rights (the "**Plan**") and the scheme for initial grant under the plan for the first tranche of Share Appreciation Rights (the "**Initial Grant Scheme**") were approved by the Board of Directors on 13 December 2019, to grant Share Appreciation Rights to core personnel who have a direct impact on the results of operations and sustainable development of the Company. The resolution on the revision of the Plan and the Initial Grant Scheme was considered and approved by the Board on 22 April 2020. The Plan and the Initial Grant Scheme shall be subject to the approval by the Shareholders at the AGM held on 30 June 2020, and approval by the regulatory authorities of state-owned assets. For details, please refer to the announcements of the Company dated 13 December 2019 and 22 April 2020.

As of the date of this annual report, the Plan and the Initial Grant Scheme have not been approved by Shareholders at the AGM of the Company, and the Company has not granted any Share Appreciation Rights.

31. EMPLOYEE RETIREMENT BENEFITS

Details of the employee retirement benefits of the Company are set out in Note 27 to the "Financial Statements" in this annual report.

32. DONATIONS

The Company invested RMB300,000 in targeted poverty alleviation counties in 2019 to help local schools, libraries, and medical and healthcare construction.

DIRECTORS' REPORT (CONTINUED)

33. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period. Details are set out in the "Corporate Governance Report" of this annual report.

34. INDEPENDENT AUDITOR

As resolved at the 2018 AGM of the Company held on 28 June 2019, KPMG was appointed as the international auditor of the Company for the year 2019, 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 2019. The resolutions regarding appointment of auditors of the Company for the 2020 financial report will be proposed at the forthcoming AGM 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 Market Regulation 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 business, financial condition, business performance or prospects of the Company as of the end of Reporting Period.

DIRECTORS' REPORT (CONTINUED)

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 utilisation 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 2019 will be published on 10 May 2020.

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 Reporting Period and will continue doing so in the future daily operation.

38. PUBLIC FLOAT

As of the date of this annual 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 of the Company has reviewed the Company's annual results of 2019, and the financial statements for the year ended 31 December 2019 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.

DIRECTORS' REPORT (CONTINUED)

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 organisations and sites within the territory of China, or though they have established certain organisations and sites but the dividends and bonuses received have actually not correlated to the organisations 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 nonresident 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.

By order of the Board of Directors
Meng Yanbin
Chairman of the Board
22 April 2020

SUPERVISORS' REPORT

1. BASIC COMPOSITION OF THE BOARD OF SUPERVISORS

1.1 Basic information

As of 31 December 2019, the Board of Supervisors consists of five members, namely Mr. Zhang Qingjun, Mr. Liu Zhonglin, Mr. Zhang Guoping, 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. Mr. Li Guoxiang and Mr. Zhang Yiming resigned as the employee representative supervisors on 26 March 2020. Mr. Li Zhenhua and Mr. Zhang Jian were appointed as the employee representative supervisors on 26 March 2020.

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 2019, 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 for 2019 was held on 29 March 2019. Mr. Zhang Qingjun, the chairman of the Board of Supervisors, served as the convener. 19 resolutions were considered and approved at the meeting, including the Resignation of Chen Shoulei as a Supervisor of China Isotope & Radiation Corporation, the Recommendation of Zhang Guoping a Supervisor of China Isotope & Radiation Corporation by Nuclear Power Institute of China, the 2018 Work Report of the Board of Supervisors of China Isotope & Radiation Corporation, the 2018 Work Report of the Board of Directors, the 2018 Work Report of the General Manager, the resolution on the Ratification for Exceeding of Annual Caps for 2018 Continuing Connected Transactions, the resolution on the Annual Cap of Non-exempt Continuing Connected Transaction and Renewal of the Financial Service Agreement for 2019, the resolution on the Amendments to the Articles of Association, the resolution on the Amendments to the Rules of Procedures for General Meetings, the resolution on the Amendments to the Rules of Procedures for Meetings of the Board, the resolution on the Amendments to Three Importance and One Greatness System, 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 (《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》), the Working Rules for Independent Non-executive Directors, the 2019 financial budget plan, the 2018 final accounts, the 2018 profit distribution plan, the Plan for Change in Use of Net Proceeds from the Global Offering of China Isotope & Radiation Corporation, the 2018 Internal Control Appraisal Report and the resolution on the acquisition of 100% equity interest in Beijing Leike Mechatronic Engineering Technology Co., Ltd. by Chengdu Gaotong Isotope Co., Ltd., and three resolutions including the Announcement of Annual Results of China Isotope & Radiation Corporation for 2018, Comprehensive Risk Report of China Isotope & Radiation Corporation for 2019 and the Annual Report of China Isotope & Radiation Corporation for 2018 were also reviewed at the meeting.

SUPERVISORS' REPORT (CONTINUED)

2. The second meeting of the second session of the Board of Supervisors of China Isotope & Radiation was held on 30 August 2019. Mr. Zhang Qingjun, the chairman of the Board of Supervisors, served as the convener. Two resolutions were considered and approved at the meeting, including the Announcement of Interim Results of China Isotope & Radiation Corporation for 2019 and the Interim Report of China Isotope & Radiation Corporation for 2019.

3. On 13 December 2019, the Board of Supervisors issued a verification opinion on the Share Appreciation Rights Incentive Plan (draft) and the list of Participants of China Isotope & Radiation Corporation by way of resolutions.

3. BOARD OF SUPERVISORS' PRESENCE ON OTHER MEETINGS

In 2019, the Supervisors of the Company attended four Board meetings, the 2018 AGM and the 2019 extraordinary general meeting, and reviewed a total of 45 Board resolutions for 2019.

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.

SUPERVISORS' REPORT (CONTINUED)

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 2020, the Board of Supervisors will strictly comply with the relevant requirements under the Company Law, Securities Law of the PRC, 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.

By order of the Board of Supervisors
Zhang Qingjun
Chairman of the Board of Supervisors
22 April 2020

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 90 to 204, which comprise the consolidated statement of financial position as at 31 December 2019, 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 cash flow statement 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 2019 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 2019 is RMB3,727 million and accounted for 93% of total revenue. 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; comparing revenue transactions, on a sample basis, with invoices, goods delivery notes and other relevant underlying documentation as applicable; inspecting underlying documentation for manual journal entries relating to revenue which were recorded during the year and which met specific risk-based criteria.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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

22 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

(Expressed in Renminbi ("RMB"))

	Note	**2019** **RMB'000**	2018 RMB'000 (restated) (Note)
Revenue	4	**3,988,904**	3,249,708
Cost of sales		**(1,159,577)**	(949,041)
Gross profit		**2,829,327**	2,300,667
Other income	5	**68,711**	88,333
Selling and distribution expenses		**(1,687,501)**	(1,303,932)
Administrative expenses		**(489,943)**	(408,968)
Profit from operations		**720,594**	676,100
Finance costs	6(a)	**(18,758)**	(7,714)
Share of profits less losses of associates		**2,141**	(718)
Share of profits of joint ventures		**29,830**	24,952
Profit before taxation	6	**733,807**	692,620
Income tax	7	**(108,882)**	(105,490)
Profit for the year		**624,925**	587,130
Attributable to:			
Equity shareholders of the Company		**329,030**	321,903
Non-controlling interests		**295,895**	265,227
Profit for the year		**624,925**	587,130
Earnings per share	8		
Basic and diluted (RMB)		**1.03**	1.15

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The restatement of the Group's consolidated financial statements is due to business combination under common control. See Note 31.

The notes on page 99 to 204 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 30(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

(Expressed in RMB)

	Note	**2019** **RMB'000**	2018 RMB'000 (restated) (Note)
Profit for the year		**624,925**	587,130
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		**1,141**	2,949
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		**(2,622)**	(3,462)
Equity investments at FVOCI-net movement in fair value reserves (non-recycling)		**16,801**	12,495
Other comprehensive income for the year		**15,320**	11,982
Total comprehensive income for the year		**640,245**	599,112
Attributable to:			
Equity shareholders of the Company		**344,381**	334,333
Non-controlling interests		**295,864**	264,779
Total comprehensive income for the year		**640,245**	599,112

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The restatement of the Group's consolidated financial statements is due to business combination under common control. See Note 31.

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (restated) (Note)
Non-current assets			
Property, plant and equipment	11	**1,987,037**	1,339,798
Investment property		**22,425**	14,526
Lease prepayments	11	**–**	115,925
Intangible assets	12	**108,382**	48,928
Goodwill	16	**43,875**	5,670
Interests in associates	14	**61,543**	85,510
Interest in joint ventures	15	**529,396**	42,917
Long-term receivables	29(c)	**33,784**	32,206
Unquoted equity investments	17	**151,492**	125,491
Deferred tax assets	28(b)	**265,045**	206,263
		3,202,979	2,017,234
Current assets			
Inventories	18	**444,364**	343,723
Trade and bill receivables	19	**2,187,746**	1,728,435
Prepayments, deposits and other receivables	20	**263,400**	198,597
Cash at bank and on hand	21	**2,744,883**	2,615,757
		5,640,393	4,886,512
Current liabilities			
Bank loans	22(b)	**191,215**	–
Trade payables	24	**173,556**	169,838
Accruals and other payables	25	**2,368,775**	1,876,732
Lease liabilities	26	**27,809**	–
Provisions	29	**69,598**	67,994
Income tax payable	28(a)	**98,220**	79,652
		2,929,173	2,194,216
Net current assets		**2,711,220**	2,692,296
Total assets less current liabilities		**5,914,199**	4,709,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (restated) (Note)
Non-current liabilities			
Bank loans	22(a)	97,235	150,000
Corporate bond	23	499,682	–
Deferred income		55,084	45,625
Defined benefit retirement obligation	27(a)	52,094	44,596
Deferred tax liabilities	28(b)	18,383	8,347
Lease liabilities	26	57,659	–
Provisions	29	119,814	113,286
Long-term payables		10,815	9,283
		910,766	371,137
Net assets		5,003,433	4,338,393
Capital and reserves	30		
Share capital		319,875	319,875
Reserves		3,439,471	3,182,178
Total equity attributable to equity shareholders of the Company		3,759,346	3,502,053
Non-controlling interests		1,244,087	836,340
Total equity		5,003,433	4,338,393

Approved and authorised for issue by the board of directors on 22 April 2020.

Name: Meng Yanbin
Position: chairman of the board

Name: Wu Laishui
Position: chief accountant

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The restatement of the Group's consolidated financial statements is due to business combination under common control. See Note 31.

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000 Note 30(c)	Capital reserve RMB'000 Note 30(d)(i)	PRC Statutory reserve RMB'000 Note 30(d)(ii)	Fair value reserve (non-recycling) RMB'000 Note 30(d)(iii)	Other reserve RMB'000 Note 30(d)(iv)	Exchange reserve RMB'000 Note 30(d)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Effect on acquisition of a subsidiary under common control		-	32,636	-	-	-	-	(1,018)	31,618	3,599	35,217
Balance at 1 January 2019 (restated) (Note)		319,875	2,186,042	112,901	23,400	24,235	3,287	832,313	3,502,053	836,340	4,338,393
Changes in equity for 2019:											
Profit for the year		-	-	-	-	-	-	329,030	329,030	295,895	624,925
Other comprehensive income		-	-	-	16,801	-	1,141	(2,591)	15,351	(31)	15,320
Total comprehensive income		-	-	-	16,801	-	1,141	326,439	344,381	295,864	640,245
Capital contributions from non-controlling equity owners of subsidiaries		-	-	-	-	-	-	-	-	212,919	212,919
Acquisition of a subsidiary under common control		-	(46,093)	-	-	-	-	-	(46,093)	(4,909)	(51,002)
Capital injection in a subsidiary		-	(1,778)	-	-	-	-	-	(1,778)	1,778	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	4,994	4,994
Appropriation of maintenance and production funds		-	-	-	-	18,848	-	(18,848)	-	-	-
Utilisation of maintenance and production funds		-	-	-	-	(9,953)	-	9,953	-	-	-
Appropriation to reserves		-	-	12,775	-	-	-	(12,775)	-	-	-
Dividends	30(b)	-	-	-	-	-	-	(39,217)	(39,217)	-	(39,217)
Distributions by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	-	(102,899)	(102,899)
Balance at 31 December 2019		319,875	2,138,171	125,676	40,201	33,130	4,428	1,097,865	3,759,346	1,244,087	5,003,433

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2019

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 Note 30(c)	Capital reserve RMB'000 Note 30 (d)(i)	PRC Statutory reserve RMB'000 Note 30 (d)(ii)	Fair value reserve (non-recycling) RMB'000 Note 30 (d)(iii)	Other reserve RMB'000 Note 30 (d)(iv)	Exchange reserve RMB'000 Note 30 (d)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017		239,906	859,316	100,754	–	13,956	338	654,674	1,868,944	577,390	2,446,334
Impact on initial application of IFRS 9		–	–	–	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
Effect on acquisition of a subsidiary under common control		–	32,636	–	–	–	–	29	32,665	3,479	36,144
Balance at 1 January 2018 (restated)		239,906	891,952	100,754	10,905	13,956	338	650,309	1,908,120	580,542	2,488,662
Changes in equity for 2018:											
Profit for the year		–	–	–	–	–	–	321,903	321,903	265,227	587,130
Other comprehensive income		–	–	–	12,495	–	2,949	(3,014)	12,430	(448)	11,982
Total comprehensive income (restated)		–	–	–	12,495	–	2,949	318,889	334,333	264,779	599,112
Issue of ordinary shares		79,969	1,294,090	–	–	–	–	–	1,374,059	–	1,374,059
Capital contributions from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	–	42,878	42,878
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	30(b)	–	–	–	–	–	–	(114,459)	(114,459)	–	(114,459)
Distributions by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(51,859)	(51,859)
Balance at 31 December 2018 (restated) (Note)		319,875	2,186,042	112,901	23,400	24,235	3,287	832,313	3,502,053	836,340	4,338,393

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (restated) (Note)
Cash flows from operating activities			
Profit before taxation		**733,807**	692,620
Adjustments for:			
Depreciation and amortisation	6(c)	**131,683**	74,110
Impairment loss on property, plant and equipment	6(c)	**3,848**	–
Government grants	5	**(7,967)**	(4,037)
Interest income	5	**(37,565)**	(19,351)
Finance costs	6(a)	**18,758**	7,714
Investment income of unquoted equity investments	5	**(10,162)**	(1,390)
Net loss on disposal of property, plant and equipment	5	**977**	149
Share of profits less losses of associates		**(2,141)**	718
Share of profits of a joint venture		**(29,830)**	(24,952)
Changes in working capital:			
Increase in inventories	18	**(97,953)**	(77,016)
Increase in trade and bill receivables	19	**(417,543)**	(213,397)
(Increase)/decrease in prepayments, deposits and other receivables	20	**(60,324)**	12,301
Increase/(decrease) in trade payables	24	**3,038**	(29,413)
Increase in accruals and other payables		**514,435**	258,325
Decrease in defined benefit retirement obligation	27	**3,354**	2,452
Increase in long-term payables		**–**	9,283
Increase in provisions		**2,802**	5,842
Cash generated from operations		**749,217**	693,958
Income tax paid	28(a)	**(147,326)**	(118,258)
Net cash generated from operating activities		**601,891**	575,700

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2019

(Expressed in RMB)

	Note	**2019** **RMB'000**	2018 RMB'000 (restated) (Note)
Investing activities			
Increase in deposits with banks	21	**(60,264)**	(28,985)
Withdrawal of deposits with banks	21	**16,319**	318,631
Payments for purchase of investment property, plant and equipment, lease prepayments and intangible assets		**(590,668)**	(750,991)
Payments for acquisition of an unquoted equity investment		**(3,600)**	(47,040)
Payments for purchase of interest in an associate		**(13,760)**	(4,900)
Payment for purchase of interest in a joint venture		**(480,000)**	–
Payments for acquisition of subsidiaries		**(121,368)**	–
Proceeds from disposal of property, plant and equipment		**32,944**	1,576
Proceeds from disposal of trading securities		**–**	104
Dividends received from associates		**23,923**	3,120
Dividends received from a joint venture	15	**23,351**	20,809
Dividends received from unquoted equity investments		**10,162**	1,390
Government grants received		**17,426**	11,776
Interests received		**37,070**	19,363
Net cash used in investing activities		**(1,108,465)**	(455,147)

The notes on page 99 to 204 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (restated) (Note)
Financing activities			
Issue of ordinary shares		–	1,374,059
Proceeds from issuing of net corporate bonds		499,682	–
Capital contributions from non-controlling equity owners of subsidiaries		212,919	42,878
Proceeds from bank loans	21(b)	216,950	–
Repayments of bank loans	21(b)	(83,500)	–
Capital element of lease rentals paid		(23,969)	–
Interest element of lease rentals paid		(3,356)	–
Interests paid	6(a)	(13,560)	(2,610)
Dividends paid by the Company to equity shareholders		(100,220)	(90,504)
Dividends paid by subsidiaries to non-controlling equity owners		(114,257)	(96,786)
Net cash generated from financing activities		590,689	1,227,037
Net increase in cash and cash equivalents		84,115	1,347,590
Cash and cash equivalents at 1 January	21	2,557,524	1,157,054
Effect of foreign exchange rate changes		(1,325)	52,880
Cash and cash equivalents at 31 December	21	2,640,314	2,557,524

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

The restatement of the Group's consolidated financial statements is due to business combination under common control. See Note 31.

The notes on page 99 to 204 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the equity investments (see Note 2(g)) are stated at their fair value.

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

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

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 new IFRSs, IFRS 16, *Leases* and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC-15, *Operating leases – incentives, and SIC-27, Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 33(b).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 33(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	**41,136**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(908)**
	40,228
Less: total future interest expenses	**(4,360)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	**35,868**
Add: finance lease liabilities recognised as at 31 December 2018	**–**
Total lease liabilities recognised at 1 January 2019	**35,868**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(b) Lessee accounting and transitional impact (continued)

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000 (restated)	Capitalisation of operating lease contracts RMB'000	Reclassification of lease prepayments RMB'000	**Carrying amount at 1 January 2019 RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right–of–use assets	–	35,868	115,925	**151,793**
Lease prepayments	115,925	–	(115,925)	**–**
Total non–current assets	2,017,234	35,868	–	**2,053,102**
Lease liabilities (current)	–	13,430	–	**13,430**
Current liabilities	2,194,216	13,430	–	**2,207,646**
Net current assets	2,692,296	(13,430)	–	**2,678,866**
Total assets less current liabilities	4,709,530	22,438	–	**4,731,968**
Lease liabilities (non–current)	–	22,438	–	**22,438**
Total non–current liabilities	371,137	22,438	–	**393,575**
Net assets	4,338,393	–	–	**4,338,393**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see Note 21(b)).

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(c) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating lease as if under IAS 17 (Note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000 (restated)
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	720,594	24,398	26,988	718,004	676,100
Finance costs	(18,758)	3,019	–	(15,739)	(7,714)
Profit before taxation	733,807	27,417	26,988	734,236	692,620
Profit for the year	624,925	27,417	26,988	625,354	587,130

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(c) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	**Estimated amounts related to operating leases as if under IAS 17 (Notes 1 & 2) (B) RMB'000**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000**	Compared to amounts reported under IAS 17 RMB'000 (restated)
Line items in the condensed consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	749,217	(26,988)	722,229	693,958
Net cash generated from operating activities	601,891	(26,988)	574,903	575,700
Capital element of lease rentals paid	(23,969)	23,969	–	–
Interest element of lease rentals paid	(3,356)	3,019	(337)	–
Net cash generated from financing activities	590,689	26,988	617,677	1,227,037

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

IFRS 16, Leases (continued)

(d) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at its cost less any accumulated depreciation and any accumulated impairment.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 (see Note 2(e)).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 (see 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 (after applying the ECL model to such other long-term interests where applicable (see Note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the 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 (see 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 (see 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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.

(i) 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.

(ii) 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment property

Investment property are land and/or buildings which are owned or held under a leasehold interest (see Note 2(k)) to earn rental income and/or for capital appreciation. Investment property are stated at cost less accumulated depreciation and impairment losses (see 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).

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)):

– interests in leasehold land and buildings where the group is the registered owner of the property interest;

– right-of-use assets arising from leases over leasehold properties where the group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, 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 (see 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 or valuation 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
Right-of-use assets	Over the term of lease

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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 (see Note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see 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 (see Note 2(l)).

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:

Patents and know-how	10 years
Royalty	10 years
Software and others	3 – 12 years
Customer relationship	7 years

Both the period and method of amortisation are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the group are primarily laptops and office furniture. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(iii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2(h);

– right-of-use assets related to leasehold land and buildings where the group is the registered owner of the leasehold interest are carried at fair value in accordance with Note 2(i); and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with Note 2(o).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable from 1 January 2019

In the comparative period, as a lessee the group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see Note 2(h)); and

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the group, or taken over from the previous lessee.

Where the group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the group would obtain ownership of the asset, the life of the asset, as set out in Note 2(i). Impairment losses were accounted for in accordance with the accounting policy as set out in Note 2(l). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(ii) As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(w)(iv).

When the group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described in Note 2(i), then the group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

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 IFRS 15 (see Note 2(n))

Other financial assets measured at fair value, including units in bond funds, equity and debt 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 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);

– 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

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.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(l)(i) apply.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Credit losses from financial guarantees issued (continued)

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) 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, including right-of-use assets (other than property carried at revalued amounts);

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures 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.

– 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

– 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.

(iv) 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)).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs (continued)

(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.

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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)).

(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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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)).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for 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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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, contingent liabilities and onerous contracts

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions, contingent liabilities and onerous contracts (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 JUDGEMENTS AND ESTIMATES

Note 32(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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, also design, manufacturing, construction and installation of gamma ray irradiation facilities, provision of irradiation service for sterilisation purpose, and sale of radiation therapy equipment as well as independent clinical laboratory services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue

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

	2019 RMB'000	2018 RMB'000 (restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– sales of pharmaceuticals	**3,300,985**	2,679,584
– sales of radioactive source products	**331,838**	344,158
– sales of radiation therapy equipment	**93,724**	–
– irradiation services	**74,946**	67,055
– technical services	**57,395**	79,210
– revenue from construction contracts	**10,067**	5,231
– independent clinical laboratory services	**74,262**	65,262
– others	**45,687**	9,208
	3,988,904	3,249,708

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 2019 and 2018. Details of the concentration of credit risk arising from the Group's customers are set out in Note 32(a).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB463,500 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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, sale of radiation therapy equipment and other miscellaneous services.

(i) Segment results, assets and liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Year ended 31 December 2019				
	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	**3,311,097**	**379,121**	**74,946**	**213,673**	**3,978,837**
Over time	**–**	**–**	**10,067**	**–**	**10,067**
Revenue from external customers	**3,311,097**	**379,121**	**85,013**	**213,673**	**3,988,904**
Inter-segment revenue	**3,231**	**22,574**	**–**	**13,497**	**39,302**
Reportable segment revenue	**3,314,328**	**401,695**	**85,013**	**227,170**	**4,028,206**
Reportable segment profit (gross profit)	**2,545,571**	**185,414**	**32,925**	**70,431**	**2,834,341**

	Year ended 31 December 2018 (restated)				
	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	409,322	67,055	74,470	3,244,477
Over time	–	–	5,231	–	5,231
Revenue from external customers	2,693,630	409,322	72,286	74,470	3,249,708
Inter-segment revenue	4,123	21,895	1,348	12,461	39,827
Reportable segment revenue	2,697,753	431,217	73,634	86,931	3,289,535
Reportable segment profit (gross profit)	2,059,062	188,762	31,254	30,536	2,309,614

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2019 RMB'000	2018 RMB'000 (restated)
Reportable segment profit (gross profit)	**2,834,341**	2,309,614
Elimination of inter-segment profit (gross profit)	**(5,014)**	(8,947)
Consolidated gross profit	**2,829,327**	2,300,667

(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

	2019 RMB'000	2018 RMB'000 (restated)
Interest income	**37,565**	19,351
Government grants	**7,967**	4,037
Distributions from unquoted equity investments	**10,162**	1,390
Rental income from operating leases	**5,872**	8,703
Net foreign exchange gain	**2,317**	52,766
Net loss on disposal of property, plant and equipment	**(977)**	(149)
Others	**5,805**	2,235
	68,711	88,333

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019 RMB'000	2018 RMB'000 (restated)
Interests on bank loans and other borrowings	**14,341**	6,942
Interests on lease liabilities	**3,490**	–
Less: interest expense capitalised into construction in progress	**(5,849)**	(5,673)
	11,982	1,269
Interest accretion on reclamation obligations, net	**3,738**	3,509
Interest cost on defined benefit retirement plans (Note 27)	**1,521**	1,633
Interest cost on long-term payables	**1,517**	1,303
	18,758	7,714

The borrowing costs have been capitalised a rate of 4.99% per annum (2018: 4.99%).

(b) Staff costs

	2019 RMB'000	2018 RMB'000 (restated)
Salaries, wages and other benefits	**462,823**	351,993
Contributions to defined contribution retirement plans	**56,687**	52,471
Expenses recognised in respect of defined benefit retirement plans (Note 27)	**937**	790
	520,447	405,254

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2019 RMB'000	2018 RMB'000 (restated)
Depreciation#		
– property, plant and equipment (Note 11)	**121,755**	66,855
– investment property	**1,516**	942
Amortisation#		
– lease prepayments	**–**	2,919
– intangible assets (Note 12)	**8,412**	3,394
(Reverse)/recognise impairment losses		
– trade and bill receivables (Note 19)	**(19,718)**	25,941
– prepayments, deposits and other receivables	**393**	4,417
– property, plant and equipment (Note 11)	**3,848**	–
Auditors' remuneration		
– audit services	**3,123**	2,923
Research and development costs (other than amortisation costs)	**102,717**	73,035
Increase in provisions for reclamation obligations	**2,391**	5,432
Operating lease charges: minimum lease payment#	**1,400**	7,427
Cost of inventories# (Note 18(b))	**996,054**	805,701

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB286,551,000 (2018: RMB212,044,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019 RMB'000	2018 RMB'000 (restated)
Current tax		
Provision for the year	159,407	147,326
Under provision in respect of prior years	4,983	5,217
	164,390	152,543
Deferred tax		
Origination and reversal of temporary differences	(55,508)	(47,053)
	108,882	105,490

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

	2019 RMB'000	2018 RMB'000 (restated)
Profit before taxation	733,807	692,620
National tax on profit before taxation at PRC statutory tax rate	183,452	173,155
Tax effect of non-deductible expenses	7,723	2,288
Tax effect of non-taxable income	(10,533)	(6,406)
Tax effect of unused tax losses and temporary differences not recognised	22,432	2,869
Tax concessions (Note (ii))	(80,822)	(70,277)
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised in current year	(975)	(2,452)
Under provision in respect of prior years	4,983	5,217
Tax effect of change in tax rate	(15,464)	7,949
Others	(1,914)	(6,853)
Actual tax expense	108,882	105,490

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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 RMB329,030,000 (2018: RMB321,903,000(restated)) and the weighted average of 319,875,000 ordinary shares (2018: 279,123,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Ordinary shares at 1 January	**319,875,000**	239,906,000
Effect of issue of ordinary shares	**–**	39,217,000
Weighted average number of ordinary shares at 31 December	**319,875,000**	279,123,000

The Company did not have any potential dilutive shares in existence during the years ended 31 December 2019 and 2018. Accordingly, diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

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 2019				
	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	–	294	603	83	980
Mr. Wu Jian	–	294	603	83	980
Mr. Du Jin	–	267	548	79	894
Non-executive directors					
Mr. Wang Guoguang (resigned on 28 March 2019)	–	–	–	–	–
Mr. Zhou Liulai	–	–	–	–	–
Mr. Luo Qi (resigned on 28 March 2019)	–	–	–	–	–
Mr. Chen Shoulei (appointed on 28 June 2019)	–	–	–	–	–
Mr. Chen Zongyu (appointed on 28 June 2019)	–	–	–	–	–
Ms. Chang Jinyu (appointed on 30 December 2019)	–	–	–	–	–
Independent non-executive directors					
Mr. Meng Yan	–	150	–	–	150
Mr. Guo Qingliang	–	–	–	–	-
Mr. Xu Yunhui	–	159	–	–	159
Mr. Tian Jiahe (appointed on 30 December 2019)	–	–	–	–	–
Supervisors					
Mr. Li Guoxiang	–	315	265	77	657
Mr. Zhang Yiming	–	261	239	74	574
Mr. Zhang Qingjun	–	–	–	–	–
Mr. Liu Zhonglin	–	–	–	–	–
Mr. Zhang Guoping (appointed on 28 June 2019)	–	–	–	–	–
Total	–	1,740	2,258	396	4,394

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	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. Xu Yunhui (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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**1,120**	724
Retirement scheme contributions	**182**	232
Discretionary bonuses	**1,407**	883
Total	**2,709**	1,839

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

	2019 **Number of individuals**	2018 Number of individuals
Nil to HKD1,000,000	**3**	3

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants RMB'000	Right-of-use assets 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 2018 (as previously reported)	213,416	–	500,544	51,795	111,562	64,218	377,305	1,318,840
Effect on acquisition of a subsidiary under common control	379	–	2,047	2,710	709	–	–	5,845
At 1 January 2018 (restated)	213,795	–	502,591	54,505	112,271	64,218	377,305	1,324,685
Additions (restated)	184,215	–	52,997	9,642	7,407	8,486	378,049	640,796
Disposals (restated)	(2,475)	–	(7,820)	(1,443)	(7,534)	–	(166)	(19,438)
Transfer in from investment property	223	–	–	–	–	–	–	223
Transfer (out to)/in from construction in progress	(129,248)	–	15,814	330	498	–	112,606	–
At 31 December 2018 (restated)	266,510	–	563,582	63,034	112,642	72,704	867,794	1,946,266
Impact on initial application of IFRS 16 (Note)	–	162,694	–	–	–	–	–	162,694
At 1 January 2019	**266,510**	**162,694**	**563,582**	**63,034**	**112,642**	**72,704**	**867,794**	**2,108,960**
Effect on acquisition of subsidiaries	**1,871**	**475**	**1,168**	**392**	**345**	**–**	**–**	**4,251**
Additions	**80,650**	**64,958**	**83,246**	**6,945**	**9,317**	**13,427**	**388,471**	**647,014**
Disposals	**(538)**	**–**	**(8,406)**	**(6,906)**	**(1,567)**	**(30,122)**	**(14,337)**	**(61,876)**
Transfer out to investment property	**–**	**–**	**–**	**–**	**–**	**–**	**(9,415)**	**(9,415)**
Transfer in from/(to) construction in progress	**424,541**	**–**	**48,639**	**14,314**	**1,429**	**13,261**	**(502,184)**	**–**
At 31 December 2019	**773,034**	**228,127**	**688,229**	**77,779**	**122,166**	**69,270**	**730,329**	**2,688,934**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and plants RMB'000	Right-of-use assets 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
Accumulated depreciation and impairment losses:								
At 1 January 2018 (as previously reported)	(69,077)	–	(344,072)	(33,730)	(51,093)	(55,023)	–	(552,995)
Effect on acquisition of a subsidiary under common control	(179)	–	(1,105)	(2,513)	(436)	–	–	(4,233)
At 1 January 2018 (restated)	(69,256)	–	(345,177)	(36,243)	(51,529)	(55,023)	–	(557,228)
Charge for the year (restated)	(7,942)	–	(40,940)	(3,168)	(9,395)	(5,410)	–	(66,855)
Written back on disposals (restated)	2,304	–	7,012	1,386	6,913	–	–	17,615
At 31 December 2018 (restated)	(74,894)	–	(379,105)	(38,025)	(54,011)	(60,433)	–	(606,468)
Impact on initial application of IFRS 16 (Note)	–	(10,901)	–	–	–	–	–	(10,901)
At 1 January 2019	**(74,894)**	**(10,901)**	**(379,105)**	**(38,025)**	**(54,011)**	**(60,433)**	**–**	**(617,369)**
Charge for the year	**(35,006)**	**(27,650)**	**(45,067)**	**(3,394)**	**(4,378)**	**(6,260)**	**–**	**(121,755)**
Impairment loss	**–**	**–**	**(3,698)**	**(150)**	**–**	**–**	**–**	**(3,848)**
Written back on disposals	**475**	**–**	**6,432**	**2,600**	**1,446**	**30,122**	**–**	**41,075**
At 31 December 2019	**(109,425)**	**(38,551)**	**(421,438)**	**(38,969)**	**(56,943)**	**(36,571)**	**–**	**(701,897)**
Net book value:								
At 31 December 2019	**663,609**	**189,576**	**266,791**	**38,810**	**65,223**	**32,699**	**730,329**	**1,987,037**
At 1 January 2019 (Note)	**191,616**	**151,793**	**184,477**	**25,009**	**58,631**	**12,271**	**867,794**	**1,491,591**
At 31 December 2018 (restated)	191,616	–	184,477	25,009	58,631	12,271	867,794	1,339,798

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2019 RMB'000	At 1 January 2019 RMB'000
Property leased for own use, carried at depreciation cost:		
– ownership interests in leasehold land held for own use, with remaining lease terms between 30 and 50 years	**121,211**	115,925
– buildings and plants	**62,349**	33,760
– equipment and others	**6,016**	2,108
	189,576	151,793

(ii) The analysis of expense items in relation to leases recognised in profit or loss are as follows:

	2019 RMB'000	2018 RMB'000
Depreciation charge of right of use assets by class of underlying assets:		
– ownership interests in leasehold land held for own use	**3,251**	2,919
– buildings and plants	**19,751**	–
– equipment and others	**4,648**	–
	27,650	2,919
Interest on lease liabilities (Note 6(a))	**3,490**	–
Expense relating to short-term leases and other lease with remaining lease term ending on or before 31 December 2019	**1,400**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	7,427

Note : The group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

Details of total cash outflow for leases and the maturity analysis of lease that are not yet commenced are set out in Notes 2(c) and 26, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

12 INTANGIBLE ASSETS

	Patents and know-how RMB'000	Royalty RMB'000	Software and others RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:					
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
At 1 January 2019	36,073	9,480	18,909	–	64,462
Effect on acquisition of subsidiaries	4,987	–	3,550	23,300	31,837
Additions	31,367	–	4,662	–	36,029
At 31 December 2019	72,427	9,480	27,121	23,300	132,328
Accumulated amortisation:					
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)
At 1 January 2019	**(6,177)**	**(3,694)**	**(5,663)**	**–**	**(15,534)**
Charge for the year	**(1,106)**	**(798)**	**(3,734)**	**(2,774)**	**(8,412)**
At 31 December 2019	**(7,283)**	**(4,492)**	**(9,397)**	**(2,774)**	**(23,946)**
Net book value:					
At 31 December 2019	**65,144**	**4,988**	**17,724**	**20,526**	**108,382**
At 31 December 2018	29,896	5,786	13,246	–	48,928

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

13 INVESTMENTS IN SUBSIDIARIES

	2019 RMB'000	2018 RMB'000
Unlisted shares, at cost	**1,106,320**	600,900
Listed shares, at cost	**146,085**	146,085
	1,252,405	746,985
Less: impairment loss	**3,700**	3,700
	1,248,705	743,285

The following list contains only the particulars of subsidiaries as at 31 December 2019 which principally affected the results, assets or liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			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	49,005,800	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	11,000,000	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	200,000,000	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	70,583,407	90.38%	90.38%	–	Application of nuclear technology
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	81,070,000	100%	100%	–	Independent clinical laboratory services
Ningbo Junan Pharmaceuticals Technology Co., Ltd. (Note (iv)) 寧波君安藥業科技有限公司	The PRC	80,000,000	100%	100%	–	Production and sale of radioactive medicine

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.

(iv) The subsidiary was acquired in 2019 (see Note 31(b)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	**2019** **RMB'000**	2018 RMB'000
NCI percentage	**31.72%**	31.72%
Current assets	**612,735**	542,478
Non-current assets	**908,407**	631,794
Current liabilities	**(519,167)**	(356,545)
Non-current liabilities	**(126,280)**	(97,480)
Net assets	**875,695**	720,247
Carrying amount of NCI	**277,770**	228,462

	2019 **RMB'000**	2018 RMB'000
Revenue	**761,297**	646,299
Profit for the year	**223,153**	184,745
Other comprehensive income for the year	**(99)**	(1,413)
Profit and other comprehensive income allocated to NCI	**70,753**	58,153
Dividend paid to NCI	**21,445**	16,820

Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.	**2019** **RMB'000**	2018 RMB'000
NCI percentage	**52.24%**	52.24%
Current assets	**1,891,600**	1,242,509
Non-current assets	**553,174**	417,212
Current liabilities	**(1,503,393)**	(1,045,361)
Non-current liabilities	**(85,096)**	(162,300)
Net assets	**856,285**	452,060
Carrying amount of NCI	**447,323**	236,156

	2019 **RMB'000**	2018 RMB'000
Revenue	**1,668,601**	1,236,324
Profit for the year	**329,224**	276,155
Profit allocated to NCI	**171,986**	144,263
Dividend paid to NCI	**52,246**	14,494

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd.	**2019** **RMB'000**	2018 RMB'000
NCI percentage	**52.24%**	52.24%
Current assets	**315,596**	242,549
Non-current assets	**43,235**	34,592
Current liabilities	**(170,804)**	(143,063)
Non-current liabilities	**–**	–
Net assets	**188,027**	134,078
Carrying amount of NCI	**98,225**	70,042

	2019 **RMB'000**	2018 RMB'000
Revenue	**253,461**	224,484
Profit for the year	**103,948**	81,959
Profit allocated to NCI	**54,302**	42,815
Dividend paid to NCI	**26,119**	26,120

14 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

14 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associates, 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.	**2019** **RMB'000**	2018 RMB'000
Gross amounts		
Current assets	**99,577**	140,281
Non-current assets	**7,260**	11,024
Current liabilities	**(43,817)**	(12,401)
Non-current liabilities	**–**	(667)
Net assets	**63,020**	138,237

	2019 **RMB'000**	2018 RMB'000
Gross amounts		
Revenue	**33,533**	57,208
Profit for the year	**(1,429)**	(11,691)
Other comprehensive income	**2,329**	6,170
Total comprehensive income	**900**	(5,521)
Dividend received from the associate	**37,297**	–
Reconciled to the Group's interests		
Gross amounts of net assets of the associate	**63,020**	138,237
Group's effective interest	**49%**	49%
Group's share of net assets	**30,880**	67,736
Carrying amount in the consolidated financial statements	**30,880**	67,736

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

14 INTERESTS IN ASSOCIATES (CONTINUED)

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

	2019 **RMB'000**	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**30,663**	17,774

	2019 **RMB'000**	2018 RMB'000
Aggregate amounts of the Group's share of those associates' profit and total comprehensive income	**2,841**	5,010

15 INTEREST IN JOINT VENTURES

Details of the Group's interest in the joint ventures, 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	USD1,530,000	49%	Production and sales of bio-pharmaceuticals
Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) 北京同輻創新產業投資基金合夥企業（有限合夥)*	The PRC	RMB2,500,000,000	48%	The application areas of nuclear technology investments

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

Shanghai GMS Pharmaceutical Co., Ltd. is a private company of which market value is not available.

Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) was incorporated in December 2019 and not in operation as at 31 December 2019. Based on the agreement that unanimous consent of all partners should be obtained for resolution, this company is treated as joint ventures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

15 INTEREST IN JOINT VENTURES (CONTINUED)

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

Shanghai GMS Pharmaceutical Co., Ltd.	**2019** **RMB'000**	2018 RMB'000
Current assets	**199,858**	182,833
Non-current assets	**22,400**	23,367
Current liabilities	**(120,473)**	(115,222)
Non-current liabilities	**(976)**	(3,392)
Net assets	**100,809**	87,586

	2019 **RMB'000**	2018 RMB'000
Gross amounts		
Revenue	**284,480**	255,620
Profit and total comprehensive income	**60,878**	50,923
Dividend received	**23,351**	20,809
Reconciled to the Group's interest		
Gross amounts of net assets	**100,809**	87,586
The Group's effective interest	**49%**	49%
The Group's share of net assets	**49,396**	42,917
Carrying amount in the consolidated financial statements	**49,396**	42,917

Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership)	**2019** **RMB'000**	2018 RMB'000
Gross amounts		
Assets	**1,000,000**	–
Net assets	**1,000,000**	–
Reconciled to the Group's interests		
Gross amounts of net assets of the associate	**1,000,000**	–
Group's effective interest	**48%**	–
Group's share of net assets	**480,000**	–
Carrying amount in the consolidated financial statements	**480,000**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

16 GOODWILL

	RMB'000
Cost:	
At 31 December 2018	5,670
Acquisition of subsidiaries under non-common control	38,205
At 31 December 2019	**43,875**
Accumulated impairment losses:	
At 31 December 2018 and 31 December 2019	–
Carrying amount:	
At 31 December 2018	5,670
At 31 December 2019	**43,875**

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

	2019 **RMB'000**	2018 RMB'000
Pharmaceuticals	**42,791**	4,586
Irradiation	**1,084**	1,084
	43,875	5,670

The recoverable amounts of the cash-generating units were 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. These cash flow projections adopted annual sales growth rates, which are based on the Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The discount rates used are pre-taxed and reflect specific risks relating to the respective cash generating units.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

16 GOODWILL (CONTINUED)

The key assumptions used in the value-in-use calculations for the above two cash-generating units are as follows:

	2019	2018
Pharmaceuticals		
Annual sales growth rate for the first five-year period	**8%~14%, 20%**	20%
Annual sales growth rate beyond five-year period	**0%**	0%
Discount rate	**7.9%, 13.55%**	7.9%
Irradiation		
Annual sales growth rate for the first five-year period	**13%**	13%
Annual sales growth rate beyond five-year period	**0%**	0%
Discount rate	**7.9%**	7.9%

17 UNQUOTED EQUITY INVESTMENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unquoted equity investments	**151,492**	125,491

Notes:

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 unquoted equity investments at FVOCI (non-recycling), as the investments are held for strategic purposes. The Group received dividends of RMB8,658,000 (2018: Nil) and RMB1,504,000 (2018: RMB1,408,000) from CNNC Financial Leasing Company and CNNC Finance Company during the year, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

18 INVENTORIES

(a) Inventories comprise:

	2019 RMB'000	2018 RMB'000 (restated)
Raw materials	**157,685**	119,944
Work in progress	**60,647**	56,938
Finished goods	**174,054**	133,611
Others	**55,579**	33,963
	447,965	344,456
Less: write down of inventories	**3,601**	733
	444,364	343,723

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

	2019 RMB'000	2018 RMB'000 (restated)
Carrying amount of inventories sold	**996,054**	805,701

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

19 TRADE AND BILL RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (restated)
Bill receivables	34,898	47,777
Trade receivables due from		
– related parties under CNNC	16,062	19,957
– associates and joint ventures	77,133	65,281
– third parties	2,187,676	1,743,161
	2,315,769	1,876,176
Less: loss allowance	128,023	147,741
	2,187,746	1,728,435

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

Aging analysis

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

	2019 RMB'000	2018 RMB'000 (restated)
Within 1 year	2,032,336	1,544,798
1 to 2 years	116,179	130,336
2 to 3 years	32,634	33,603
Over 3 years	6,597	19,698
	2,187,746	1,728,435

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 32(a).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	RMB'000
		(restated)
Receivables from sale of property, plant and equipment		
– CNNC	**8,494**	13,120
– related parties under CNNC	**4,258**	4,258
Advance to		
– CNNC	**328**	327
– related parties under CNNC	**9,031**	4,412
– associates and joint ventures	**2,019**	1,579
– third parties	**30,554**	23,455
Deposits (Note (ii))	**31,526**	26,795
Deductible input VAT	**60,736**	30,519
Staff advance	**3,319**	3,426
Dividends receivables		
– associates and joint ventures	**25,036**	2,993
Interest receivables	**1,346**	851
	176,647	111,735
Less: allowance for doubtful debts	**10,897**	10,517
Financial assets measured at amortised cost	**165,750**	101,218
Prepayments for purchase of inventories from		
– related parties under CNNC	**8,304**	8,157
– associates and a joint venture	**361**	1
– third parties	**88,985**	89,221
	263,400	198,597

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprised:

	2019 **RMB'000**	2018 RMB'000 (restated)
Cash on hand	**44**	98
Cash at bank	**1,833,565**	1,975,010
Cash at CNNC Finance Company	**911,274**	640,649
	2,744,883	2,615,757
Representing:		
Cash and cash equivalents	**2,640,314**	2,557,524
Time deposits with original maturity over three months (Note 22(a))	**93,346**	49,401
Restricted deposits (Note)	**11,223**	8,832
	2,744,883	2,615,757

Note:

Restricted deposits mainly represent deposits for guarantee of letters of credit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 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.

	Bank loans and other borrowings RMB'000	Corporate bonds RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2018	150,000	-	-	-	150,000
Impact on initial application of IFRS 16 (Note 2)	-	-	-	35,868	35,868
At 1 January 2019	150,000	-	-	35,868	185,868
Changes from financing cash flows:					
Proceeds from new bank loans	216,950	-	-	-	216,950
Repayment of bank loans	(83,500)	-	-	-	(83,500)
Borrowing costs paid	-	-	(13,560)	-	(13,560)
Proceeds from issuing of corporate bonds	-	499,682	-	-	499,682
Capital element of lease rentals paid	-	-	-	(23,969)	(23,969)
Interest element of lease rentals paid	-	-	-	(3,356)	(3,356)
Total changes from financing cash flows	133,450	499,682	(13,560)	(27,325)	592,247
Other changes:					
Increase in lease liabilities from entering into new leases during the year	-	-	-	73,435	73,435
Interest expenses (Note 6(a))	-	-	14,341	3,490	17,831
Acquisition of subsidiaries (Business combination)	5,000	-	-	-	5,000
Total other changes	5,000	-	14,341	76,925	96,266
At 31 December 2019	288,450	499,682	781	85,468	874,381

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

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

22 BANK LOANS

(a) The long-term bank loans comprised:

	2019 **RMB'000**	2018 RMB'000
Bank loan		
– secured (Note)	**142,775**	150,000
– reclassified to due within one year	**(45,540)**	–
	97,235	150,000

Note:

As of 31 December 2019, the secured long-term bank loans were mainly includes:

(i) A five-year loan of RMB150,000,000 borrowed by a subsidiary of the Group, bearing an interest rate of 5.0% above the PBOC five year benchmark lending rate per annum, with an amount of RMB112,500,000 remaining as at 31 December 2019, which was jointly guaranteed by the shareholders of the subsidiary. Certain of the Group's right-of-use assets with carrying amount of RMB24,931,000 (2018: RMB25,780,000) and time deposits with original maturity over three months of RMB18,000,000 (2018:RMB18,000,000) were also pledged as security for the bank loan.

(ii) A fifteen-year loan of RMB8,000,000 borrowed by a subsidiary of the Group in 2019, at an interest rate of equivalent to the five-year benchmark lending rate per annum of the business day before the loan contract becomes effective plus 78.5 base points, for which certain of the Group's investment properties with carrying amount of RMB9,800,000 and right of use assets with carrying amount of RMB1,000,000 were pledged.

(ii) A five-year loan of RMB30,000,000 borrowed by a subsidiary of the Group in 2019, at an interest rate of equivalent to the five-year benchmark lending rate per annum plus 20.25 base points, with an amount of RMB22,275,000 remaining as at 31 December 2019, for which certain of the Group's properties with a carrying amount of RMB196,637,703 and right of use assets with a carrying amount of RMB37,323,952 were pledged.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

22 BANK LOANS (CONTINUED)

(b) The short-term bank loans comprised:

	2019 RMB'000	2018 RMB'000
Bank loan		
– secured (Note)	6,000	–
– unsecured	139,675	–
	145,675	–
Add: current portion of long-term bank loans	45,540	–
	191,215	–

Note:

A short term loan of RMB4,000,000 borrowed by a subsidiary of the Group in 2019 were pledged by certain of the Group's properties with carrying amount of RMB2,140,000 and guaranteed by a third party of the Group.

The short term loan of RMB2,000,000 borrowed by a subsidiary of the Group in 2019 were pledged by certain of the Group's investment properties with carrying amount of RMB9,800,000.

(c) The long-term bank loans are repayable as follows:

	2019 RMB'000	2018 RMB'000
After 2 years but within 5 years	89,235	150,000
Over 5 years	8,000	–
	97,235	150,000

23 CORPORATE BONDS

	2019 RMB'000	2018 RMB'000
Public issuance of corporate bonds	499,682	–

Note:

In December 2019, the Group issued a 3-year corporate bond of RMB500,000,000 with a coupon rate of 3.8% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

24 TRADE PAYABLES

	2019 RMB'000	2018 RMB'000 (restated)
Trade payables due to		
– related parties under CNNC	24,858	50,579
– associates and joint ventures	5,035	4,542
– third parties	143,663	114,717
	173,556	169,838

(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:

	2019 RMB'000	2018 RMB'000 (restated)
Within 1 year	158,474	134,111
1 to 2 years	9,830	22,632
2 to 3 years	5,252	13,095
	173,556	169,838

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

25 ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000 (restated)
Deposits from distributors (Note (i))	605,687	461,011
Payables to distributors (Note(ii))	1,242,519	866,786
Payables for staff related costs	170,323	142,177
Dividends payables	7,315	80,326
Other taxes payables	48,786	56,785
Other accruals and payables:		
– CNNC	801	1,101
– related parties under CNNC	7,974	7,717
– associates and a joint venture	18	1
– third parties	162,874	172,030
Total financial liabilities measured at amortised cost	2,246,297	1,787,934
Contract liabilities		
– related parties under CNNC	17,099	22,767
– associates and a joint venture	–	159
– third parties	105,379	65,872
	2,368,775	1,876,732

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	**27,809**	**29,946**	13,430	14,211
After 1 year but within 2 years	**22,245**	**25,002**	10,180	11,269
After 2 years but within 5 years	**35,414**	**41,960**	11,119	13,236
After 5 years	**–**	**–**	1,139	1,512
	57,659	**66,962**	22,438	26,017
	85,468	**96,908**	35,868	40,228
Less: total future interest expenses		**(11,440)**		(4,360)
Present value of lease liabilities		**85,468**		35,868

Notes:

The group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in Note 2 (c).

As at 1 January 2019 and 31 December 2019, the present value of lease liabilities due to related parties under CNNC are RMB8,148,373 and RMB23,899,998, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

27 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 33% of the Group's employees as at 31 December 2019 (2018: 37%). 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 2019 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:

	2019 **RMB'000**	2018 RMB'000
Present value of obligations	**52,094**	44,596

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 RMB2,958,000 of the defined benefit retirement obligation to be paid in the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

27 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:

	2019	2018
	RMB'000	RMB'000
At 1 January	**44,596**	40,511
Remeasurements:		
– actuarial losses arising from changes in financial assumptions	**2,622**	3,462
Benefits paid by the plans	**(2,880)**	(2,320)
Current service cost	**937**	790
Effect of new participants and increase in payment rates	**5,298**	520
Interest expenses	**1,521**	1,633
At 31 December	**52,094**	44,596

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

27 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:

	2019	2018
	RMB'000	RMB'000
Service cost	**937**	790
Net interest on net defined benefit liability	**1,521**	1,633
Total amounts recognised in profit or loss	**2,458**	2,423
Total amounts recognised in other comprehensive income		
– Actuarial losses	**2,622**	3,462
Total defined benefit costs	**5,080**	5,885

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:

	2019	2018
	RMB'000	RMB'000
Finance costs	**1,521**	1,633
Administrative expenses	**937**	790
	2,458	2,423

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

27 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plans (continued)

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

	2019 **RMB'000**	2018 RMB'000
Discount rates	**3.5%**	3.5%
Future salary increases	**6.0%**	6.0%
Annual turnover rates of active employees	**5.0%**	5.0%

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%	
	2019 **RMB'000**	2018 RMB'000
Discount rates	**(6,755)**	(6,003)
Future salary increases	**3,776**	3,086
Annual turnover rates of active employees	**(1,762)**	(1,687)

	Decrease by 1%	
	2019 **RMB'000**	2018 RMB'000
Discount rates	**8,804**	7,847
Future salary increases	**(2,750)**	(2,256)
Annual turnover rates of active employees	**2,036**	1,946

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

27 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(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.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 **RMB'000**	2018 RMB'000 (restated)
At 1 January	**79,652**	45,367
Provision for the year	**164,390**	152,543
Acquisition of subsidiaries	**1,504**	–
Income tax paid	**(147,326)**	(118,258)
At 31 December	**98,220**	79,652

28 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	Tax losses RMB'000	Fair value adjustments on inventories, property, plant and equipment, intangible assets and related depreciation and amortisation RMB'000	Fair value change in trading securities RMB'000	Fair value change in unquoted equity investments RMB'000	Depreciation and amortisation RMB'000	Fair value adjustments on inventories, property, plant and equipment, intangible assets and related depreciation and amortisation RMB'000	Total RMB'000
At 1 January 2018 (restated)	120,218	21,585	16,869	–	–	(9)	(3,635)	–	–	155,028
Charged/(credited) to profit or loss (restated) (Note 7(a))	46,858	6,927	(6,194)	–	–	9	–	(547)	–	47,053
Charged/(credited) to reserves	–	–	–	–	–	–	(4,165)	–	–	(4,165)
At 31 December 2018 (restated)	167,076	28,512	10,675	–	–	–	(7,800)	(547)	–	197,916
At 1 January 2019	**167,076**	**28,512**	**10,675**	**-**	**-**	**-**	**(7,800)**	**(547)**	**-**	**197,916**
Charged/(credited) to profit or loss (Note 7(a))	**37,063**	**(1,951)**	**19,068**	**1,215**	**(14)**	**-**	**-**	**(379)**	**506**	**55,508**
Charged/(credited) to reserves	**-**	**-**	**-**	**-**	**-**	**-**	**(5,600)**	**-**	**-**	**(5,600)**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**3,401**	**-**	**-**	**-**	**(4,563)**	**(1,162)**
At 31 December 2019	**204,139**	**26,561**	**29,743**	**1,215**	**3,387**	**-**	**(13,400)**	**(926)**	**(4,057)**	**246,662**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(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 RMB118,427,000 (2018: RMB34,766,000), 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 2019, tax losses of RMB1,577,000, RMB6,713,000, RMB7,680,000, RMB15,734,000 and RMB86,723,000 will expire, if unused by the end of 31 December 2020, 2021, 2022, 2023 and 2024, respectively.

29 PROVISIONS

(a) The balance of provisions comprised:

	2019	2018
	RMB'000	RMB'000
Reclamation obligations (Note(b))	**185,271**	177,550
Others	**4,141**	3,730
	189,412	181,280
Less: current provision	**69,598**	67,994
	119,814	113,286

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

29 PROVISIONS (CONTINUED)

(b) The movements of the provision for reclamation obligations are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	177,550	167,105
Increase in estimated cost	2,391	5,432
Interest expenses	5,330	5,013
At 31 December	185,271	177,550

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

30 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 30(c))	Capital reserve RMB'000 (Note 30(d)(i))	PRC statutory reserve RMB'000 (Note 30(d)(ii))	Fair value reserve (non-recycling) RMB'000 (Note 30(d)(ii))	Other reserve RMB'000 (Note 30(d)(iii))	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2018	239,906	944,903	100,754	–	2,195	85,697	1,373,455
Impact on initial application of IFRS 9	–	–	–	10,905	–	–	10,905
Adjusted balance 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 for the year	–	–	–	12,495	–	119,890	132,385
Issue of ordinary shares (Note 30(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 30(b))	–	–	–	–	–	(114,459)	(114,459)
Balance at 31 December 2018 and 1 January 2019	319,875	2,238,993	112,901	23,400	4,176	77,000	2,776,345
Changes in equity for 2019:							
Total comprehensive income for the year	-	-	-	16,801	-	108,744	125,545
Appropriation to reserves	-	-	12,775	-	-	(12,775)	-
Dividends (Note 30(b))	-	-	-	-	-	(39,217)	(39,217)
Balance at 31 December 2019	319,875	2,238,993	125,676	40,201	4,176	133,752	2,862,673

Note: The Group, including the Company, has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2019 **RMB'000**	2018 RMB'000
Interim dividend declared of RMB Nil cents per ordinary share (2018: RMB15 cents per ordinary share)	**–**	47,981
Final dividend proposed after the end of the reporting period of RMB13.89 cents per ordinary share (2018: RMB12.26 cents per ordinary share)	**44,431**	39,217
	44,431	87,198

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

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

	2019 **RMB'000**	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB12.26 cents per share (2018: RMB28 cents per share)	**39,217**	66,478

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2019		2018	
	No. of shares '000	**RMB'000**	No. of shares '000	RMB'000
Ordinary shares issued				
At 1 January	**319,875**	**319,875**	239,906	239,906
Shares issued	**–**	**–**	79,969	79,969
At 31 December	**319,875**	**319,875**	319,875	319,875

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 30(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

30 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a slight increase in the group's total debt and hence the group's adjusted net debt-to-capital ratio rose from 4% to 5% on 1 January 2019 when compared to its position as at 31 December 2018.

During 2019, the Group's strategy, which was unchanged from 2018, 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 2019 and 2018 is as follows:

	Notes	**At 31 December 2019 RMB'000**	At 31 December 2018 RMB'000
Current liabilities:			
Interest-bearing borrowings		**191,215**	–
Lease liabilities		**27,809**	–
		219,024	–
Non-current liabilities:			
Interest-bearing borrowings	22(a)&23	**596,917**	150,000
Lease liabilities	26	**57,659**	–
		654,576	150,000
Total debt		**873,600**	150,000
Add: proposed dividends	30(b)	**44,431**	39,217
Adjusted net debt		**918,031**	189,217
Total equity		**5,003,433**	4,338,393
Less: proposed dividends	30(b)	**44,431**	39,217
Adjusted capital		**4,959,002**	4,299,176
Adjusted debt-to-capital ratio		**19%**	4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a subsidiary under common control

During the year ended 31 December 2019, the Group entered into an equity transfer agreement with Beijing Yuanke Technology Development Co., Ltd. ("Beijing Yuanke"), a subsidiary of CIAE. Pursuant to the agreement, the Company agreed to acquire 100% of the equity interests in Beijing Leike Mechatronic Engineering Technology Co., Ltd. ("Beijing Leike") from Beijing Yuanke at a cash consideration of RMB51,002,000.

As the Group and Beijing Leike are under common control of CNNC Group, the above acquisition has been recorded as a business combination under common control. The assets and liabilities of Beijing Leike have been recognised at the carrying amounts recognised previously in CNNC's consolidated financial statements. The consolidated financial statements of the Group have been restated as if the acquisition had occurred prior to the start of the earliest period presented.

Recognised amounts of carrying value of identifiable assets acquired and liabilities assumed at 31 May 2019 (the "acquisition date") are as follows:

	RMB'000
Property, plant and equipment	**530**
Deferred tax assets	**135**
Inventories	**885**
Trade and bill receivables	**18,737**
Prepayments, deposits and other receivables	**72**
Cash at bank and on hand	**18,591**
Trade payables	**(1,058)**
Accruals and other payables	**(1,150)**
Net assets	**36,742**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of a subsidiary under common control (continued)

Details of the restatement of the Group's consolidated financial statements are as follows:

	The Group (as previously reported) RMB'000	Beijing Leike Mechatronic Engineering Technology Co., Ltd. RMB'000	The Group (as restated) RMB'000
Results of operations for the period ended 31 December 2018:			
Profit from operations	676,652	(552)	676,100
Profit for the year	588,058	(928)	587,130
Net profit attributable to:			
– equity shareholders of the company	322,951	(1,048)	321,903
– non-controlling interests	265,107	120	265,227
Basic and diluted earnings per share (RMB)	1.16	(0.01)	1.15
Consolidated statement of financial position as at 31 December 2018:			
Non-current assets	2,016,352	882	2,017,234
Current assets	4,848,436	38,076	4,886,512
Current liabilities	2,190,475	3,741	2,194,216
Non-current liabilities	371,137	–	371,137

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition subsidiaries from third parties

Acquisition of Ningbo Junan Pharmaceuticals Technology Co., Ltd.

In April 2019, the Group acquired 100% interest in Ningbo Junan Pharmaceuticals Technology Co., Ltd. ("Ningbo Junan"), from Tibet Huajin Tianma Equity Investment Partnership (Limited Partnership), at a cash consideration of RMB80,000,000. Ningbo Junan is principally engaged in the manufacture and sale of pharmaceuticals in the PRC.

The acquisition was completed in April 2019. Upon completion of the transaction, Ningbo Junan became a wholly-owned subsidiary of the Group.

The recognised fair values of the identifiable assets and liabilities of Ningbo Junan as at the date of acquisition were set out as follows:

	Ningbo Junan RMB'000
Property, plant and equipment	**4,010**
Intangible assets	**30,368**
Inventories	**1,130**
Trade and bill receivables	**37,604**
Prepayments, deposits and other receivables	**330**
Cash at bank and on hand	**7,128**
Bank loans	**(5,000)**
Trade payables	**(515)**
Accruals and other payables	**(26,971)**
Income tax payable	**(1,451)**
Deferred tax liabilities	**(1,043)**
Total identifiable net assets at fair value	**45,590**
Satisfied by:	
Cash	**72,000**
Accruals and other payables (consideration has not been paid)	**8,000**
Total consideration	**80,000**
Goodwill	**34,410**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition subsidiaries from third parties (continued)

Acquisition of Ningbo Junan Pharmaceuticals Technology Co., Ltd. (continued)

The cash flows in respect of the acquisition of Ningbo Junan is as follows:

	RMB'000
Cash consideration	**72,000**
Cash and cash equivalents acquired	**(7,128)**
	64,872

Since the acquisition, Ningbo Junan contributed RMB56,301,000 to the Group's revenue and RMB7,887,000 profit to the consolidated net profit for the year ended 31 December 2019.

Had the business combination taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2019 would have been RMB4,001,339,000 and RMB623,920,000, respectively.

32 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

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, 3% (2018: 4%) and 7% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 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 2019:

	2019		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
With 1 year	**1%**	**2,043,165**	**(10,829)**
1 – 2 years	**8%**	**126,711**	**(10,532)**
2 – 3 years	**19%**	**40,465**	**(7,831)**
More than 3 years	**94%**	**105,428**	**(98,831)**
		2,315,769	**(128,023)**

	2018 (restated)		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
With 1 year	1%	1,559,296	(14,498)
1 – 2 years	12%	148,573	(18,237)
2 – 3 years	41%	57,101	(23,498)
More than 3 years	82%	111,206	(91,508)
		1,876,176	(147,741)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

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 year 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.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019	2018
	RMB'000	RMB'000
		(restated)
At 1 January	**147,741**	121,943
Amounts written off during the year	**–**	(143)
Impairment losses (reserved)/recognised during the year	**(19,718)**	25,941
At 31 December	**128,023**	147,741

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

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 2019					
	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 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Corporate bond (Note 23)	19,000	19,000	519,000	–	557,000	499,682
Lease liabilities (Note 26)	29,946	25,002	41,960	–	96,908	85,468
Bank loans (Note 22)	202,969	49,310	50,700	6,664	309,643	288,450
Trade payables (Note 24)	173,556	–	–	–	173,556	173,556
Accruals and other payables (Note 25)	2,246,297	–	–	–	2,246,297	2,246,297
Total	2,671,768	93,312	611,660	6,664	3,383,404	3,293,453

	31 December 2018					
	Contractual undiscounted cash flow(restated)					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans (Note 22)	7,481	7,481	159,531	–	174,493	150,000
Trade payables (Note 24)	169,838	–	–	–	169,838	169,838
Accruals and other payables (Note 25)	1,787,934	–	–	–	1,787,934	1,787,934
Total	1,965,253	7,481	159,531	–	2,132,265	2,107,772

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 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	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**144,167**	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.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits
		RMB'000		RMB'000
HK Dollars	**10%**	**10,813**	10%	53,697
	(10%)	**(10,813)**	(10%)	(53,697)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(ii) Sensitivity analysis (continued)

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.

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 2018.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 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)

		Fair value measurements as at 31 December 2019 categorised into		
	Fair value at 31 December 2019 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Unquoted equity investments	**151,492**	**–**	**–**	**151,492**
	151,492	**–**	**–**	**151,492**

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018 RMB'000	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

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.

In 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

(i) Financial assets measured at fair value (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 2019, it is estimated that with all other variables held constant, a decrease/ increase in discount for lack of market ability by 1% would have increased/decreased the Group's other comprehensive income by RMB139,000.

(ii) Fair values of financial liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their values as at 31 December 2018 and 31 December 2019 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2019		2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Bank loans	**97,235**	**112,943**	150,000	150,843
Corporate bonds	**499,682**	**500,452**	–	–
	596,917	**613,395**	150,000	150,843

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the year, however, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2019	2018
	RMB'000	RMB'000
Net fixed rate borrowings:		
Corporate bond (Note 23)	**499,682**	–
Lease liability (Note 26)	**85,468**	–
Bank loans (Note 22)	**145,675**	–
	730,825	–
Net floating rate borrowings:		
Bank loans (Note 22)	**142,775**	150,000
Total net borrowings	**873,600**	150,000

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis point in interest rates of net floating borrowings, with all other variables held constant, the Group's profit after tax would have increased/decreased by approximately RMB118,331,000 (2018: RMB127,500,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next annual statement of financial position date. The analysis is performed on the same basis for 2018.

33 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December not provided for in the financial statement were as follows:

	2019 **RMB'000**	2018 RMB'000
Contracted for	**125,778**	175,531
Authorised but not contracted for	**44,302**	223,301
	170,080	398,832

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

33 COMMITMENTS (CONTINUED)

(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
Within 1 year	16,477
After 1 year but within 5 years	23,354
After 5 years	1,305
	41,136

None of the leases includes contingent rentals.

34 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:

	2019 **RMB'000**	2018 RMB'000 (restated)
Sale of goods to		
Related parties under CNNC	**56,856**	58,384
Associates and joint ventures	**27,061**	30,960
Service provided to		
Related parties under CNNC	**2,804**	395
Associates and joint ventures	**76,703**	77,230
Purchase of goods from		
Related parties under CNNC	**12,276**	17,679
Associates and joint ventures	**17,772**	18,527
Purchase of property, plant and equipment from		
Related parties under CNNC	**15,887**	3,158

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transaction with related parties (continued)

	2019 RMB'000	2018 RMB'000 (restated)
Service provided by		
CNNC	**1,489**	300
Related parties under CNNC	**100,635**	100,774
Associates and joint ventures	**1,052**	–
Leases from		
Related parties under CNNC		
– operating lease as if under IAS17	**–**	4,617
– right-of-use assets recognised at 1 January 2019 under IFRS16	**8,418**	–
– right-of-use assets recognised during the year under IFRS16	**12,246**	–
– lease payments	**5,250**	4,617
Interest expenses		
Related parties under CNNC	**956**	–
Net deposits placed with		
Related parties under CNNC	**270,625**	95,347
Interest income		
Related parties under CNNC	**12,409**	9,250
Dividend paid to		
CNNC	**13,079**	45,562
Related parties under CNNC	**125,794**	139,818
Dividend received from		
Related parties under CNNC	**10,162**	1,408
Capital investment in		
Related parties under CNNC	**483,600**	47,040
Associates and joint ventures	**13,760**	–
Purchase of a subsidiary from		
Related parties under CNNC	**51,002**	–

(b) Balances with related parties

Details of the outstanding balance with related parties are set out in Notes 19, 20, 21, 24, 25, 26 and 30.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) 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.

(d) 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:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**2,565**	2,270
Retirement scheme contributions	**634**	609
Discretionary bonuses	**3,888**	2,293
	7,087	5,172

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sale of goods, service provided, purchase of goods, purchase of property, plant and equipment, leases and interest income with 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AT 31 DECEMBER 2019

(Expressed in RMB)

	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	**14,189**	13,639	15,559
Investment property	**243**	402	693
Intangible assets	**4,707**	3,994	2,242
Investments in subsidiaries	**1,248,705**	743,285	413,990
Interests in associates	**18,353**	17,773	10,984
Interest in joint ventures	**528,361**	41,882	37,739
Unquoted equity investments	**151,380**	125,379	47,140
Deferred tax assets	**24,350**	24,731	24,288
	1,990,288	971,085	552,635
Current assets			
Inventories	**47,223**	51,257	17,621
Trade and bill receivables	**119,655**	101,064	115,223
Prepayments, deposits and other receivables	**370,325**	441,674	484,350
Cash at bank and on hand	**1,040,172**	1,479,386	438,532
	1,577,375	2,073,381	1,055,726

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY AT 31 DECEMBER 2019 (CONTINUED)

(Expressed in RMB)

	2019 RMB'000	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade payables	24,360	29,574	34,021
Accruals and other payables	137,376	199,200	170,630
Lease liabilities	754	–	–
Income tax payable	–	6,937	6,887
	162,490	235,711	211,538
Net current assets	1,414,885	1,837,670	844,188
Total assets less current liabilities	3,405,173	2,808,755	1,396,823
Non-current liabilities			
Corporate bond	499,682	–	–
Defined benefit retirement obligation	29,231	24,610	23,368
Deferred tax liabilities	13,400	7,800	–
Lease liabilities	187	–	–
	542,500	32,410	23,368
Net assets	2,862,673	2,776,345	1,373,455
Capital and reserves			
Share capital	319,875	319,875	239,906
Reserves	2,542,798	2,456,470	1,133,549
Total equity	2,862,673	2,776,345	1,373,455

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB unless otherwise indicated)

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at 31 December 2019, 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.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020
Revised Conceptual Framework for financial reporting	1 January 2020
IFRS 17, *Insurance contracts*	1 January 2020
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between investors and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial Statements.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In 2020, the outbreak of the novel coronavirus (COVID-19) has brought more uncertainties to the external operating environment. In terms of the Group's current operations, the COVID-19 has delayed operations, with revenue and profits declining to some extent as compared to the corresponding period last year and there being certain uncertainties in the future. The Group has taken contingency measures to mitigate the impact of the COVID-19. The Group closely monitors the collection of trade receivables and inventory status, and negotiates with suppliers to make a deferred payment, extend credit period, etc. to strengthen working capital management and ensure the sustainability of the Group's assets and operations.

At the same time, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all our employees in different regions. Although there are still full of uncertainties at this stage, the Group will continue to implement the prevention work on the COVID-19 to safeguard employee safety, stable production and smooth sales.

FIVE YEAR SUMMARY

(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000 (restated)	2017 RMB'000 (restated)	2016 RMB'000 (restated)	2015 RMB'000 (restated)
Results						
Revenue	2	**3,988,904**	3,249,708	2,672,045	2,363,122	2,152,134
Profit from operations	2	**720,594**	676,100	530,053	498,361	462,608
Finance costs	1	**(18,758)**	(7,714)	(7,095)	(14,391)	(10,527)
Share of profits less losses of associates		**2,141**	(718)	14,764	11,519	17,223
Share of profits of joint ventures		**29,830**	24,952	20,242	17,260	16,530
Profit before taxation		**733,807**	692,620	557,964	512,749	485,834
Income tax	2, 3	**(108,882)**	(105,490)	(82,326)	(78,247)	(75,452)
Profit for the year		**624,925**	587,130	475,638	434,502	410,382
Attributable to:						
Equity shareholders of the Company		**329,030**	321,903	271,454	262,108	254,205
Non-controlling interests		**295,895**	265,227	204,184	172,394	156,177
Profit for the year		**624,925**	587,130	475,638	434,502	410,382
Assets and liabilities						
Property, plant and equipment	1	**1,987,037**	1,339,798	765,845	607,760	549,354
Investment property		**22,425**	14,526	15,592	16,858	8,316
Lease prepayments	1	**–**	115,925	63,928	57,657	47,097
Intangible assets		**108,382**	48,928	32,176	12,865	4,699
Goodwill		**43,875**	5,670	5,670	5,670	5,670
Interests in associates		**61,543**	85,510	81,425	73,847	59,601
Interest in joint ventures		**529,396**	42,917	38,774	36,006	42,380
Long-term receivables		**33,784**	32,206	30,702	29,267	27,901
Unquoted equity investments	3	**151,492**	125,491	47,251	47,251	7,251
Deferred tax assets		**265,045**	206,263	155,489	121,050	109,468
Net current assets	2	**2,711,220**	2,692,296	1,543,703	622,275	704,068
Total assets less current liabilities		**5,914,199**	4,709,530	2,780,555	1,630,506	1,565,805
Deferred tax liabilities		**(18,383)**	(8,347)	(9)	(21)	(20)
Other non-current liabilities		**(892,383)**	(362,790)	(334,212)	(157,027)	(212,135)
NET ASSETS		**5,003,433**	4,338,393	2,446,334	1,473,458	1,353,650

FIVE YEAR SUMMARY (CONTINUED)

(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000 (restated)	2017 RMB'000 (restated)	2016 RMB'000 (restated)	2015 RMB'000 (restated)
Capital and reserves						
Share capital		**319,875**	319,875	239,906	200,000	200,000
Reserves	1, 2, 3	**3,439,471**	3,182,178	1,629,038	727,522	647,660
Total equity attributable to equity shareholders of the Company		**3,759,346**	3,502,053	1,868,944	927,522	847,660
Non-controlling interests		**1,244,087**	836,340	577,390	545,936	505,990
TOTAL EQUITY		**5,003,433**	4,338,393	2,446,334	1,473,458	1,353,650
Earnings per share						
Basic and diluted (RMB)		**1.03**	1.15	1.17	1.31	1.27

Notes to the five year summary

1 As a result of the adoption of IFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease terms. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2 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.

3 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.

4 As a result of the business combination under common control in 2019, figures for the years from 2015 to 2018 have been restated for comparison purposes.

DEFINITIONS

"404 Company"	CNNC 404 Company Limited
"AGM"	the annual general meeting of the Company
"Articles of Association"	the Articles of Association of China Isotope & Radiation Corporation
"Baoyuan Investment"	China Baoyuan Investment Co., Ltd.
"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
"CIAE"	China Institute of Atomic Energy
"CIRC", "Company", "our Company", "we" or "us"	China Isotope & Radiation Corporation, a joint stock company incorporated in the PRC with limited liability
"CNGT"	Chengdu Gaotong Isotope Co., Ltd. (CNNC)
"CNNC"	China National Nuclear Corporation
"CNNC Fund"	Beijing CNNC Industry Investment Fund (LLP)
"CNNC Tongxing"	CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd.
"Company Law"	the Company Law of the People's Republic of China
"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
"Headway"	Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.
"HTA"	HTA Co., Ltd.
"H Share(s)"	overseas listed foreign shares in the ordinary 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

DEFINITIONS (CONTINUED)

"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 2019
"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
"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
"Yunke Pharm"	Chengdu Yunke Pharmaceutical Co., Ltd.
"%"	per cent

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