CHINA ISOTOPE & RADIATION CORPORATION
中國同輻股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1763

FURTHER ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

Reference is made to the announcement of China Isotope & Radiation Corporation (the "**Company**") dated 31 March 2020, in relation to the unaudited annual results for the year ended 31 December 2019 (the "**Announcement**"). Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The Board of the Company is pleased to announce that the Company's auditor, KPMG, has completed its audit of the consolidated financial statements of the Company for the year ended 31 December 2019. The annual results contained in the Announcement remain unchanged and are reproduced below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in Renminbi ("RMB"))

	Notes	**2019**	2018
		RMB'000	*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 a joint venture		**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 3.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in RMB)

	2019	2018
	RMB'000	*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 3.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000 (restated) (Note)
Non-current assets			
Property, plant and equipment		**1,987,037**	1,339,798
Investment property		**22,425**	14,526
Lease prepayments		**–**	115,925
Intangible assets		**108,382**	48,928
Goodwill		**43,875**	5,670
Interests in associates		**61,543**	85,510
Interest in joint ventures		**529,396**	42,917
Long-term receivables		**33,784**	32,206
Unquoted equity investments		**151,492**	125,491
Deferred tax assets		**265,045**	206,263
		3,202,979	2,017,234
Current assets			
Inventories		**444,364**	343,723
Trade and bill receivables	*10*	**2,187,746**	1,728,435
Prepayments, deposits and other receivables		**263,400**	198,597
Cash at bank and on hand		**2,744,883**	2,615,757
		5,640,393	4,886,512
Current liabilities			
Bank loans		**191,215**	–
Trade payables	*11*	**173,556**	169,838
Accruals and other payables		**2,368,775**	1,876,732
Lease liabilities		**27,809**	–
Provisions		**69,598**	67,994
Income tax payable		**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

	Note	2019 *RMB'000*	2018 *RMB'000* *(restated)* *(Note)*
Non-current liabilities			
Bank loans		**97,235**	150,000
Corporate bond		**499,682**	–
Deferred income		**55,084**	45,625
Defined benefit retirement obligation		**52,094**	44,596
Deferred tax liabilities		**18,383**	8,347
Lease liabilities		**57,659**	–
Provisions		**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	*12*		
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

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 3.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 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 are stated at their fair value.

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

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

3. CHANGES IN ACCOUNTING POLICIES

The 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.

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.

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:

(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 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.

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*	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**

(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.

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.

	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*
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

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** *(Notes 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported under IAS 17
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
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/(used in) 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 generated from financing activities as if IAS 17 still applied.

(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 its cost less any accumulated depreciation and any accumulated impairment.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	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.

(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.
- Irradiation: provision of irradiation services to manufacturers of medical facilities, pharmaceuticals, cosmetics and food in the PRC for steriliation 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.

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

(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

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
	RMB'000	*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	**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	2018
	RMB'000	*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	**937**	790
	520,447	405,254

(c) Other items

	2019 *RMB'000*	2018 *RMB'000* *(restated)*
Depreciation #		
– property, plant and equipment	**121,755**	66,855
– investment property	**1,516**	942
Amortisation #		
– lease prepayments	**–**	2,919
– intangible assets	**8,412**	3,394
(Reverse)/recognise impairment losses		
– trade and bill receivables *(Note 10)*	**(19,718)**	25,941
– prepayments, deposits and other receivables	**393**	4,417
– property, plant and equipment	**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 #	**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 3.

\# 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.

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	2018
	RMB'000	*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
Effect of changes to 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.

8. EARNING 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 2018 and 2019. Accordingly, diluted earnings per share is the same as basic earnings per share.

9. DIVIDENDS

(i) Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2019	2018
	RMB'000	*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	2018
	RMB'000	*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

10. 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 China National Nuclear Corporation ("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.

11. TRADE PAYABLES

	2019	2018
	RMB'000	*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	2018
	RMB'000	*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.

12. 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.

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.

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:

(RMB in millions, except for percentage)	**Year ended 31 December 2019 Amount**	**%**	Year ended 31 December 2018 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

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.

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 ^{14}C 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.

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 sources, and otherwise

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.

The fund scheme was approved at the shareholders' 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 (Limited Partnership) and RMB3.6 million to its general partner Beijing Tongchuang High-tech Investment Partnership (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 Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) and 17.65% equity interests in Beijing Tongchuang High-tech Investment Partnership (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%

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.

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.

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.

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.

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.

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.

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.

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 People's Bank of China (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.

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

Liquidity Risk

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

DIVIDEND POLICY

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

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

NO MATERIAL ADVERSE CHANGE

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 6 July 2018, H shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1763). Based on the offer price of HKD21.60 per H share and upon the partial exercise of the over-allotment option (100 Shares), the net proceeds that the Group received from the global offering were approximately HKD1,690.0 million after deduction of the underwriting commissions and other related expenses in relation to the global offering. As at 31 December 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the use of proceeds will be updated to provide the use of proceeds from the initial public offering for 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.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

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

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

Compliance with the Model Code for Securities Transactions

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

Audit and Risk Management Committee

The audit and risk management committee of the Company (the "**Audit and Risk Management Committee**") consists of two independent non-executive Directors and one non-executive Director, namely Mr. Hui Wan Fai (chairman), Mr. Meng Yan and Mr. Zhou Liulai, which terms of reference comply with the Listing Rules.

The Audit and Risk Management Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed the relevant internal control and financial reporting matters with the management, including reviewing the consolidated financial results of the Group for the year ended 31 December 2019.

On 22 April 2020, the Audit and Risk Management Committee reviewed and confirmed the annual results announcement of the Group for the year ended 31 December 2019 (the "**Annual Results Announcement**"), the 2019 annual report and the consolidated financial information for the year ended 31 December 2019.

Scope of Work of Auditor

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in the Annual Results Announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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 and up to the date of this announcement.

2019 Annual General Meeting

The 2019 annual general meeting of the Company (the "**AGM**") will be held on Tuesday, 30 June 2020, and the notice of the AGM will be published and despatched to Shareholders in due course.

2019 Final 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.

Closure of Register of Members

The Company will hold the AGM 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.

Publication of Results Announcement and Annual Report

This announcement has been published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.china-isotope.com). The Company will despatch the annual report for the year ended 31 December 2019 to the Shareholders of the Company in due course, which is available on the aforesaid websites.

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

Beijing, the PRC, 22 April 2020

As at the date of this announcement, the Board comprises Mr. Meng Yanbin, Mr. Wu Jian and Mr. Du Jin as executive Directors; Mr. Zhou Liulai, Mr. Chen Shoulei, Mr. Chen Zongyu, and Ms. Chang Jinyu as non-executive Directors; Mr. Guo Qingliang, Mr. Meng Yan, Mr. Hui Wan Fai and Mr. Tian Jiahe as independent non-executive Directors.