中核集团
CNNC

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

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

股份代號 Stock Code：1763

2023
ANNUAL REPORT
年度報告

CONTENTS

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

中國同輻股份有限公司(Abbreviation: 中國同輻)

ENGLISH NAME OF THE COMPANY

China Isotope & Radiation Corporation*

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

No. 66 Changwa Middle Street
Haidian District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
No. 348 Kwun Tong Road Kowloon, Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Junqi *(Chairman of the Board)* (appointed on 22 December 2023)
Mr. Wang Suohui *(Chairman of the Board)* (resigned on 21 December 2023 due to change in work arrangement)
Mr. Xu Hongchao
Mr. Fan Guomin (appointed on 22 December 2023)
Mr. Du Jin (retired on 22 December 2023 upon expiry of term of office)

Non-executive Directors

Mr. Chen Shoulei
Mr. Ding Jianmin (appointed on 30 June 2023)
Ms. Chang Jinyu
Ms. Liu Xiuhong
Mr. Dai Shuquan (resigned on 30 June 2023 due to change in work arrangement)

Independent Non-executive Directors

Mr. Poon Chiu Kwok (appointed on 30 June 2023)
Mr. Tian Jiahe
Ms. Chen Jingshan
Mr. Lu Chuang
Mr. Hui Wan Fai (resigned on 30 June 2023 due to change in work arrangement)

THE COMMITTEES UNDER THE BOARD

Audit and Risk Management Committee

Mr. Poon Chiu Kwok *(Chairman)* (appointed on 30 June 2023)
Mr. Chen Shoulei
Mr. Lu Chuang
Mr. Hui Wan Fai *(Chairman)* (resigned on 30 June 2023 due to change in work arrangement)

Nomination Committee

Ms. Chen Jingshan *(Chairman)*
Mr. Poon Chiu Kwok (appointed on 30 June 2023)
Mr. Lu Chuang
Mr. Hui Wan Fai (resigned on 30 June 2023 due to change in work arrangement)

Remuneration and Appraisal Committee

Mr. Lu Chuang *(Chairman)*
Ms. Liu Xiuhong
Ms. Chen Jingshan

Strategy Committee

Mr. Zhang Junqi *(Chairman)* (appointed on 22 December 2023)
Mr. Wang Suohui *(Chairman)* (resigned on 21 December 2023 due to change in work arrangement)
Mr. Xu Hongchao
Mr. Chen Shoulei
Mr. Ding Jianmin (appointed on 30 June 2023)
Mr. Tian Jiahe
Mr. Dai Shuquan (resigned on 30 June 2023 due to change in work arrangement)

CORPORATE INFORMATION (CONTINUED)

Legal Affairs Committee

Mr. Zhang Junqi *(Chairman)*
(appointed on 22 December 2023)
Mr. Wang Suohui *(Chairman)*
(resigned on 21 December 2023
due to change in work arrangement)
Mr. Chen Shoulei
Ms. Liu Xiuhong
Ms. Chen Jingshan
Mr. Poon Chiu Kwok (appointed on 30 June 2023)
Mr. Hui Wan Fai (resigned on 30 June 2023
due to change in work arrangement)

Science and Technology Innovation Committee

Mr. Zhang Junqi *(Chairman)*
(appointed on 22 December 2023)
Mr. Wang Suohui *(Chairman)*
(resigned on 21 December 2023
due to change in work arrangement)
Mr. Xu Hongchao
Mr. Fan Guomin (appointed on 22 December 2023)
Mr. Du Jin (retired on 22 December 2023
upon expiry of term of office)
Mr. Tian Jiahe
Mr. Lu Chuang

LEGAL REPRESENTATIVE

Mr. Zhang Junqi

AUTHORISED REPRESENTATIVES

Mr. Zhang Junqi *(Chairman of the Board)*
Mr. Gui Youquan
Ms. Kam Mei Ha Wendy (as the alternate
representative of Mr. Zhang Junqi)

SUPERVISORS

Mr. Liu Zhonglin *(Chairman)*
Mr. Zhao Nanfei
Mr. Zhang Guoping
Mr. Ma Fuxin
Ms. Peng Qihui

JOINT COMPANY SECRETARIES

Mr. Gui Youquan
Ms. Kam Mei Ha Wendy

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISORS

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LISTING DATE

6 July 2018

FINANCIAL HIGHLIGHTS

(RMB'000)	**Year ended 31 December 2023**	Year ended 31 December 2022
Revenue	**6,634,992**	6,153,549
Gross profit	**3,482,239**	3,517,682
Profit from operations	**941,598**	913,963
Profit before taxation	**922,437**	920,793
Profit attributable to equity shareholders of the Company	**370,967**	392,275
Basic/diluted earnings per share (RMB)	**1.16**	1.23
Profitability		
Gross profit margin	**52.5%**	57.2%
Operating profit margin	**14.2%**	14.9%
Net profit margin	**11.7%**	12.3%

	Year ended 31 December 2023	Year ended 31 December 2022
Total assets	**13,191,710**	11,789,723
Total liabilities	**6,052,382**	5,180,115
Net assets	**7,139,328**	6,609,608

GROUP PROFILE

As a leader in the nuclear technology application industry in the PRC, CIRC tapped into the field of nuclear technology application since it was established in 1983, and tilled the nuclear technology application industry for 40 years. Nuclear technology application is a comprehensive strategic industry that is closely related to nearly one-third of the industries in the manufacturing sector of the national economy and plays a pivotal role in technological innovation, economic construction, national health and national security. As China's economy continues to develop and people's living standards steadily improve, the market for nuclear technology application will continue to grow in the future and CIRC will have more room for development.

CIRC focuses on research and development, manufacturing, and sales of pharmaceuticals, and is also engaged in radioactive sources, irradiation, nuclear medical equipment and independent clinical laboratory services. The Company derives 62.2% of its revenue and 83.0% of its gross profit from the pharmaceuticals segment in the nuclear medicine industry. As a leading enterprise in the PRC nuclear medicine industry featured with huge potential, high entry barriers and strong profitability, CIRC is the largest manufacturer of imaging diagnostic and therapeutic radiopharmaceuticals, UBT kits and analyzers, and RIA kits in the PRC. In terms of radioactive source products, CIRC is the only core enterprise with industrialized and large-scale R&D and production capability in the field of research and application of radioactive sources in China. In terms of the irradiation service, CIRC is the third largest provider for irradiation service, and is the only provider which provides the services of the upstream production as well as the downstream design and installation of irradiation facilities. Two subsidiaries of CIRC are among the three qualified EPC service providers approved by the Ministry of Ecology and Environment to engage in the design, manufacturing and installation of irradiation facilities in China.

As an important member of CNNC in the nuclear technology application industry, CIRC has taken over CNNC's profound experience in the fields of isotopes, radiopharmaceuticals, radioactive sources and irradiation application, and will further cooperate with other companies under CNNC in its future development, making full use of CNNC's advantageous resources to better serve the national economy and contribute to the high-quality development of nuclear technology application.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

In 2023, we embarked upon the comprehensive implementation of the spirit of the 20th National Congress of the CPC, marking a pivotal year for executing the "14th Five-Year Plan". It also signified the 40th anniversary of CIRC's establishment and the 5th anniversary of its listing. As a leader in the industry, over the past year, we navigated through adversities, faced up to challenges, tempered endeavours and pressed forward with determination. Guided by our mission to address the healthcare needs of the populace and our unwavering commitment to high-quality development, we successfully fulfilled our annual objectives and tasks. The Company's reform and development undertakings have achieved satisfactory results.

This year, we worked energetically and achieved new highs in operating performance. We achieved an operating income of RMB6,630 million for the entire year, representing a year-on-year increase of 7.8%. Our total profit was recorded at RMB920 million, representing a year-on-year increase of 0.2%. Our net profit was RMB780 million, representing a year-on-year increase of 2.8%. Our total assets amounted to RMB13,190 million. Our net assets totaled RMB7,140 million, and the gearing ratio was at 45.9%.

This year, we made bold innovation and took our scientific and technological innovation attributes to a higher level. Giving full play to the main role of an enterprise in scientific and technological innovation, we continued to step up efforts in scientific and technological innovation to accelerate the creation of pioneers in independent innovation for state-owned scientific and technological enterprises, with the intensity of our research and development investment exceeding 9% of the total investment. We actively applied for scientific research projects and were approved for 13 national-, provincial- and ministerial-level scientific research projects throughout the year. We strengthened the research and development of patents and applied for nearly 300 patents throughout the year, representing a year-on-year increase of 55%. Our scientific research and innovation work in a number of fields such as radiopharmaceuticals, high-end nuclear medical equipment, and irradiation application achieved critical results. The research and development of new radiopharmaceuticals was accelerated, the application for the launch of sodium fluorine-18 injection was accepted, and a variety of new drugs were approved to enter clinical trials. We made positive progress in the research and development of nuclear medical equipment and successfully obtained a medical device registration certificate and an enterprise production license for TOMO-C, a high-end radiotherapy equipment. For the new-generation gamma knife project, the product type test report was obtained and clinical trials were officially commenced. With another breakthrough in the industrialized production and preparation technology of nuclides achieved, we were capable of supplying copper-64, a key nuclide for integrated diagnosis and treatment, in batches.

This year, we made rapid and solid progress and accelerated the optimization of our industrial layout. Seizing opportunities for industrial development, we achieved positive progress in accelerating the construction of key projects. With the completion of our CO-13-rich gas project, the first in China and the largest in the world in terms of molecular scale, qualified gas has been continuously produced, marking a major breakthrough in the domestic production of C-13 stable isotope. The North China medical base and the Qinshan isotope base were successfully completed; the main projects of the first phase of the Jiajiang radioactive source base project were constructed; the main building of the East China medical base project was completed; and the Greater Bay Area medical base project was approved and set up. We accelerated the nation-wide layout of pharmaceutical centers for the production and distribution of short half-life radiopharmaceuticals, with three pharmaceutical centers being completed and put into operation, bringing the total number of pharmaceutical centers in operation to 26. We successfully acquired Xi'an Zhanshi Testing Engineering Co., Ltd., making substantial progress in extending the radioactive source business to the downstream. A joint venture with Wuxi EL Pont was established to accelerate the industrial application of radiation curing.

CHAIRMAN'S STATEMENT (CONTINUED)

This year, we overcame difficulties and achieved remarkable results in market development. Concentrating efforts to promote the implementation of CIRC's "One County, One Department" plan, we joined hands with Wu Jieping Medical Foundation to establish the CIRC Smart Nuclear Medicine Special Fund (中國同輻智慧核醫療專項基金), vigorously supporting the implementation and transformation of smart nuclear medicine projects nationwide. In building China's first intelligent nuclear medicine demonstration base together with Peking Union Medical College Hospital, we made breakthrough progress in the construction of Fuzhi 1.0 Intelligent Nuclear Medicine Platform (輻智1.0 智能核醫學平台). Nuclear medicine alliances were established in Zhejiang, Xinjiang, Sichuan and other places to effectively play a demonstration and leading role. We actively carried out international cooperation and promoted the implementation of projects in multiple fields with world-class enterprises, achieving new breakthroughs in overseas revenue. Giving full play to the value of the IAEA Collaborating Center platform, our project on the "Supply of Finished Radiopharmaceuticals in Indonesia" was selected into the China-ASEAN Cooperation Demonstration Project on the Peaceful Use of Nuclear Technology, which has further enhanced our international presence.

This year, we took bold steps and achieved remarkable results in deepening reforms. We promoted the conclusion of the "Three-Year Action for State-owned Enterprise Reform" with high quality and were awarded as the Group Advanced in the Three-Year Action for the Reform of CNNC. We ranked third in the "Excellent" grade among the "Enterprises for the Demonstration of Scientific and Technological Reform" (科改示範企業) of the SASAC in the 2022 annual assessment. We solidly carried out the "action upgrading management against world-class standards" (對標世界一流管理提升行動) to further improve the overall operational management efficiency. We fully implemented tenure system and contractual management, strictly assessing the heads of member units and rigidly honoring their annual performance-based salary. We increased market-based selection and recruitment efforts, and strengthened market-based selection, recruitment, appointment and assessment of cadres. We optimized the matching of personnel and positions to realize the promotion and demotion of cadres, thus continuously enhancing the vitality of the cadre team. Efforts were made to enhance CIRC's scientific and technological innovation attributes, and the Science and Technology Innovation Committee was established. We continued to promote the establishment of high-tech enterprises, with three new high-tech enterprises added in the year, bringing the total to 20 enterprises at all levels. We fully promoted the special work of nurturing "specialized, refined, special and novel enterprises", with six new "specialized, refined, special and novel" enterprises added throughout the year. The Company's motivation to drive corporate development through innovation has been significantly enhanced.

This year, we upheld integrity and innovation and our management efficiency continued to improve. Radiation safety management improvement actions were comprehensively carried out, as a result, safety and environmental protection quality was steadily controlled. The "Development of Exhaust Gas Collection Device for Iodine-131 Material Liquid Bottles" 《碘[131I]料液瓶廢氣收集裝置的研製》 won the first prize in the 2023 QC Group Contest of CNCC. We accelerated the promotion of digital transformation, and the irradiation operation management platform was being run across the board at our irradiation stations. The Headway smart factory pilot project achieved breakthrough progress, with the pilot construction of "Nuclear + Beidou" radioactive source transport containers realizing real-time positioning and track monitoring of transport containers. The first phase of the data analysis and management platform project was successfully launched, significantly improving the level of data-driven operation and management. We strengthened team allocation and cadre training, and formed a special improvement plan for the "four teams", hence advancing the development of enterprise by talent management in an orderly manner. We continued to deepen lean management to continuously improve our corporate value creation capabilities. We actively promoted innovation in management practice, and won provincial and ministerial awards on 12 management innovation achievements including "Construction and Implementation of a Human Resources Empowerment Platform Based on Sharing, Symbiosis, and Co-Creation" 《基於"共享、共生、共創"的人力資源賦能平臺構建與實施》, setting a new record high. Our exploration of the path to create the sub-brand "CIRC Medical" was selected into the 100 typical cases of brand building of state-owned enterprises by the SASAC of the State Council. We paid more attention to the building of environmental, social and corporate governance, and our case of "Practicing Green Development Concept and Protecting People's Lives and Health" 《踐行綠色發展理念守護人民生命健康》 was selected into the "2023 Excellent ESG Cases of Chinese Enterprises", which has continuously expanded our brand influence.

CHAIRMAN'S STATEMENT (CONTINUED)

The journey ahead is long but bright, the goal targeted is challenging but attainable. As the main force of CNNC's technological advancement for the benefit of people's lives and health and the main channel for the transformation of advanced nuclear scientific and technological achievements, CIRC shoulders the dual responsibility of building a "a strong nuclear power" and promoting a "healthy China". We remain steadfast in our mission, embracing the ethos of "lean, standardization, reform and efficiency", vigorously practice CIRC speed characterized by "swift action and rapid completion". We are committed to advancing the objectives outlined in the "14th Five-Year Plan", contributing to the growth, fortification, and enhancement of the nuclear technology industry!

Mr. Zhang Junqi
Executive Director and Chairman of the Board

Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radiopharmaceuticals and radioactive source products for medical and industrial applications, the provision of irradiation service for sterilization purpose and engineering, procurement and construction ("**EPC**") service for the design, manufacturing and installation of gamma ray irradiation facilities and the provision of nuclear medical equipment and services such as independent clinical laboratory services to hospitals and other medical institutions.

BUSINESS REVIEW

For the year ended 31 December 2023, we operated five business segments, namely pharmaceuticals, radioactive source products, irradiation, radiation therapy equipment and related services and other businesses. In 2023, we continued to intensify our market development efforts and achieved continued growth in economic efficiency. For the year of 2023, we recorded revenue of RMB6.635 billion, representing a year-on-year increase of 7.82%, realised net profit of RMB776 million, representing a year-on-year increase of 2.77%, with net profit attributable to the parent company achieving RMB371 million, representing a year-on-year decrease of 5.43%.

BUSINESS SEGMENTS

1. Pharmaceuticals

The Group is 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, Urea Breath Test (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, it provided a stable supply of radiopharmaceuticals to domestic medical institutions and strengthened the promotion of nuclear medicine diagnosis and treatment technology to clinical departments and other market development work through supporting the work of the nuclear medicine branch of the Chinese Medical Association, while continuously promoting development in existing industries and businesses. Through academic conferences and other means, the Group conducted scientific popularization for the general public and nuclear medicine clients on new products such as "therapeutic sodium iodine-131 capsule" and scientific radionuclide, enhancing its influence in the field of nuclear medicine. In December 2023, therapeutic sodium iodine-131 capsule manufactured by HTA Co., Ltd., a subsidiary of the Group, has successfully entered the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2023) as a drug covered by the national medical insurance negotiations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group vigorously promoted academic brand building of its respiratory disease testing products, analyzed market users, held national science knowledge competition related to health management and launched the helicobacter pylori standardized diagnosis and treatment demonstration center project. In addition, the Group launched a series of public welfare activities, including a series of free medical consultation activities under multiple themes, such as the "International Stomach Care Day" (國際護胃日), the "Chinese Doctors' Day" (中國醫師節) and the "Together in CIRC" (核你在一起). Various academic conferences and other academic publicity activities were also held with respect to helicobacter pylori and UBT.

During the Reporting Period, the Group recorded RMB4,128.6 million in revenue from sales of pharmaceuticals, representing a year-on-year increase of 5.2%, recorded RMB1,682.8 million in revenue from imaging diagnostic and therapeutic radiopharmaceuticals, representing a year-on-year increase of 15.3%, and recorded RMB2,323.8 million in revenue from breath test, representing a year-on-year decrease of 1.0%.

2. Radioactive source products

The Group is 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, gamma knife source and non-destructive testing radioactive source remained a stable and high market share, achieving growth in revenue, of which, gamma knife source realised operating revenue of RMB73 million and non-destructive testing radioactive source realised operating revenue of RMB89 million. The supporting radioactive source developed by the Group for the Shenzhou XV manned spacecraft performed satisfactorily during the mission by ensuring accurate ignition command of the thrust reverser engine by the Y-altitude control device and safe and soft landing of the returning capsule, thereby guaranteeing the successful completion of Shenzhou XV manned mission. The technology of reusing retired radioactive source has made outstanding contributions in the field of applied research on circular economy, and won the First Prize of Sichuan Province Low Carbon Science and Technology Award (四川省低碳科學技術獎).

During the Reporting Period, the Group recorded RMB586.2 million in revenue from radioactive source products, representing a year-on-year increase of 0.9%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Irradiation

In the field of irradiation processing, the Group mainly aims at providing the manufacturers of medical devices, food, traditional Chinese medicine and cosmetics in China with sterilization services, as well as EPC service related to the design, manufacturing and installation of irradiation facilities.

The Group actively explored the irradiation product market, with sales revenue of new irradiation products soaring to over RMB28.5 million, reaching a record high. The Company made innovation in the mode of cooperation and made deep-seated efforts to lay out its business in and explore EB curing industry, resulting in completion of technique and production line of EB plates, while arranging for EB color-coated plates and EB film so as to build EB curing industrial ecosystem.

BINE High-Tech Co., Ltd., a subsidiary of the Group, successfully completed the after-sales maintenance for the 4 million curies BFT gamma irradiation equipment of Grand Ten Holdings in Malaysia, which is the first export project of BINE High-Tech Co., Ltd. and has maintained safe operation for 10 years without any incident.

During the Reporting Period, the Group recorded RMB170.8 million in revenue from irradiation-related business, representing a year-on-year decrease of 0.2%.

4. Radiation therapy equipment and related services

During the Reporting Period, the Group accelerated domestic manufacturing process of high-end radiotherapy equipment. On 28 September 2023, CNNC Accuray (Tianjin) Medical Technology Co., Ltd. (中核安科鋭(天津)醫療科技有限責任公司)(“CNNC Accuray”), a subsidiary of the Group, successfully obtained the medical device registration certificate issued by the National Medical Products Administration for its domestic high-end spiral tomotherapy system (TOMO C). This product has become the first domestic spiral tomotherapy product in the high-end medical field in China. The official mass production launch event and investor exchange meeting of TOMO C was held in Tianjin on 25 October. In addition, CNHE-MDR, the outcome of the mobile digital medical X-ray photography system research and development project, was approved in June 2023 and obtained the medical device registration certificate. The Smart Cobalt-60-based Cone Beam Focused Stereotactic Therapy System project has completed the product type testing and entered the clinical trial stage smoothly. The SPECT/CT project has passed the general inspection and acceptance of the State Administration of Science, Technology and Industry for National Defence, with an acceptance rating of “excellent”.

During the Reporting Period, the Group recorded RMB933.7 million in revenue from nuclear medical equipment and related services, representing a year-on-year increase of 27.5%.

5. Other businesses

In order to provide users with a full range of services, the Group also provides trade and other services in relation to nuclear technology industry applications and medical product applications. We primarily provide users with trade services in relation to imported radioactive source, medical nuclides, imported radiopharmaceuticals, nuclear instruments and devices, medical equipment and other products. The Group is promoting the cooperation with international pharmaceutical companies to introduce advanced radiopharmaceuticals, intensive management services for hospital consumables, and import agency sales of medical devices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, revenue from trade services and other businesses of the Group was RMB815.7 million, representing a year-on-year increase of 9.3%.

The table below sets forth our revenue by business segment in 2023 and 2022:

	Year ended 31 December 2023		Year ended 31 December 2022	
(RMB in million, except for percentage)	**Amount**	**%**	Amount	%
Pharmaceuticals	**4,128.6**	**62.2**	3,923.3	63.8
Radioactive source	**586.2**	**8.8**	580.9	9.4
Irradiation	**170.8**	**2.6**	171.2	2.8
Radiation therapy equipment and related services	**933.7**	**14.1**	732.2	11.9
Other businesses	**815.7**	**12.3**	746.0	12.1
Total	**6,635.0**	**100.0**	6,153.6	100.0

Marketing

During the Reporting Period, the Group deepened its brand building efforts. In May 2023, the Group successfully organized the "Sichuan Medical Isotopes and Radiopharmaceutical Industry Development Promotion Summit" in conjunction with eight departments in Sichuan Province. In September 2023, the Group contributed to and participated in the Conference on the High-quality Development of the Nuclear Technology Application Industry, the 2nd China-ASEAN Forum for Peaceful Use of Nuclear Technology (中國－東盟和平利用核技術論壇), and etc. where the Group launched cooperation demonstration projects, signed business cooperation documents, and displayed nuclear medical equipment and digital exhibits for nuclear medicine. The Group participated in the Academic Annual Conference of the Nuclear Medicine Branch of the Chinese Medical Association in 2023 to launch the Radiant Intelligence 1.0 Intelligent Nuclear Medicine System, and co-hosted the 2nd International Forum on the Development of Nuclear Technology Application Industry in October 2023, fully demonstrating the CIRC's leadership in nuclear technology application industry.

Furthermore, the Group has been actively leveraging the value of the IAEA Collaboration Center platform to enhance its international influence. In August 2023, the Group hosted the "International Training Course on Radiopharmaceuticals Preparation for the Asia-Pacific Region" (亞太地區放藥製備國際培訓班) in the name of the IAEA Collaboration Center for Radiopharmaceuticals and Radioactive Sources, with 15 trainees from member countries, including Thailand, Malaysia, Indonesia, Pakistan, India, Korea, Japan and China, participating in on-site teaching and professional exchanges. In September 2023, the Group organized a delegation of experts from the Nuclear Medicine Branch of the Chinese Medical Association to visit IAEA for discussion, with a view to enhancing cooperation.

The Group has persisted in reform of its marketing center to foster the synergistic, high-quality and safe development of its business in radiopharmaceuticals, radioactive sources and radioactive particles. In respect of the marketing of domestic nuclides, internal resources were coordinated and integrated for production, sales, distribution and services of domestic Lu-177 and Ge/Ga generators, laying the foundation for market development after reaching design capacity thereof in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Scientific Research and Innovation

The Group has always actively conducted research and development work on various types of imaging diagnosis and therapeutic pharmaceuticals to fill gaps in various fields of medical treatment and meet the medical needs of China. As of 31 December 2023, we had a number of imaging diagnosis and therapeutic radiopharmaceuticals under research and development. Among them, sodium fluorine-18 injection has completed clinical trials and was submitted for new drug application; iodine-131-MIBG injection was in Phase III clinical trial; technetium-99m sulfide colloidal injection, 68Ga-Dotatate injection, fluorine-18 betazine injection, fluorine-18 stamine injection, fluorine-18-L dopa injection and lutetium-177 oxyoctreotide injection were approved for the clinical trial, and a variety of imaging diagnosis and therapeutic radiopharmaceuticals were in preclinical research and development stage.

Diagnostic drugs

Diagnostic drugs for tumors

1. Bone imaging drug: sodium fluorine-18 is a PET bone imaging drug used to diagnose lesions with altered bone activity, including bone metastases, incipient fracture, ostalgia, joint hyperplasia, etc. The Group's product under development, sodium fluorine-18 injection, was completed with clinical trials and passed registration inspection, on-site inspection of clinical trials, etc.

2. Pheochromocytoma diagnostic drug: iodine-131-MIBG injection can be used for the diagnosis of neuroendocrine tumors such as pheochromocytoma and neuroblastoma. The Group's product under development, iodine-131-MIBG injection, is in Phase III clinical trial.

3. Prostate cancer diagnostic drug: PMSA is an ideal tumor marker for prostate cancer. The development of radioactive targeted PMSA diagnostic (therapeutic) drugs is currently a hot spot of interest that the domestic and foreign radiopharmaceutical companies are concerned about and compete for. The combination of [18F]Florastamin and PSMA has a higher specificity and a higher safety profile. The Group has signed a joint development agreement with FutureChem in Korea to obtain the exclusive rights to develop, manufacture and market [18F]Florastamin injection in PRC. At present, the Group's product under development, [18F]Florastamin injection, is in Phase I clinical trial, which was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 15 March 2023.

4. Breast cancer sentinel lymph nodes imaging drug: technetium-99m sulfide colloid is the first technetium marked radiocolloid for lymph imaging, which is used for the location and tracing of breast cancer sentinel lymph nodes. The Group's product under development, sulfide colloid kit and technetium-99m sulfide colloidal injection, is in Phase III clinical trial, which was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 4 January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Diagnostic drugs for neurodegenerative diseases

1. Alzheimer (AD) diagnostic drug: ß-Amyloid (Aß) is an important target for early diagnosis of AD. The development of positron emission tomography (PET) imaging agents with high affinity and selectivity with Aß protein can realize early non-invasive diagnosis of such disease. [18F]Florbetazine injection is an Aß PET imaging agent jointly developed by the Group and the Key Laboratory of the Ministry of Education for Radiopharmaceuticals of Beijing Normal University, which has independent intellectual property rights and good imaging properties, and is a domestic Class I innovative drug. The Group's product under development, [18F]Florbetazine injection, is in Phase I clinical trial, which was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 8 March 2023.

2. Parkinsonism diagnostic drug: 6-fluorine-18-L dopa injection is used clinically for the diagnosis of nervous system diseases such as parkinsonism, schizophrenia and AD, and has clinical value for early diagnosis of disease, assessment of disease severity and cell transplantation detection. The Group's product under development, 6-fluorine-18-L dopa injection, is in the preparation for Phase III clinical trial, which was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 17 April 2023.

Integrated drug for diagnosis and treatment

Integrated drug for diagnosis and treatment for neuroendocrine tumor. Internationally, the use of 68Ga-DOTATATE for PET/CT of neuroendocrine tumor has become the gold standard in imaging. 68Ga-DOTATATE can also be used to evaluate the treatment effect of patients with neuroendocrine tumor. 177Lu-DOTATATE is an effective drug in the treatment of neuroendocrine tumor. The Group's product under development, 68Ga-DOTATATE injection and kits, was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 20 February 2023. The product under development, lutetium-177 oxyoctreotide injection, is in Phase III clinical trial, which was granted the Approval for Drug Clinical Trial by the National Medical Products Administration on 8 May 2023.

Therapeutic drug for tumor

Therapeutic drug for prostate cancer. Palladium-103 sealed source is an in vivo implant for brachytherapy, suitable for the permanent implantation of solid tumors with low to neutral sensitivity to radiation, both for superficial, intra-thoracic and intra-abdominal solid tumors such as prostate cancer, pancreatic cancer, lung cancer, head and neck cancer, as well as for residual diseases and recurrent tumors after external radiation therapy. The Group's product under development, palladium-103 sealed source, has completed various pre-clinical studies.

During the Reporting Period, the Group yielded remarkable results in the work related to intellectual properties, with a total of 298 patents applied, 240 patent authorizations obtained, including 5 foreign design patent authorizations. As of 31 December 2023, the Group had 945 active licensed patents, among which there were 149 invention patents, sustaining and enhancing its technological strength.

During the Reporting Period, the Company had 11 registered trademarks, 38 registered copyrights, 1 national standard, 1 energy industry standard and 6 group standards issued, and 1 national standard, 1 agricultural industry standard, 4 nuclear industry standards and 12 group standards under preparation/to be released.

In terms of technological awards and honors, during the Reporting Period, the Group won 1 provincial and ministerial technology award, 4 social science and technology awards, 1 group-level science and technology award, and 3 awards in the CNNC Science and Innovation Competition.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The project "Carbon[13C]-Urea Crude Drugs Development and Industrialization" (《碳[13C]-尿素原料藥研發及產業化》) of Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. won the second prize of Nuclear Energy Industry Association's Scientific and Technological Progress Award. The project fills the gap of domestic carbon[13C]-urea crude drugs, breaks the monopoly of foreign countries thereon, showcasing its top-notch technique in China.

The project "Research and development of new krypton-85 thickness gauge sources" (《新型 Kr-85 測厚源的研製》) of HTA Co., Ltd. won the third prize of Nuclear Energy Industry Association's Scientific and Technological Progress Award. The project has a number of independent intellectual property rights, and the overall technology has reached the international advanced level, which has a wide range of potential applications in paper, plastic film, and especially in the new energy field of lithium battery.

The "14C-based Crude Drugs Research and Development and Liquid Scintillation Helicobacter Pylori Diagnostic Industrialization Project" (《基於14C原料藥研製及液閃式幽門螺桿菌診斷產業化項目》) of Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. won the second prize of Shenzhen Scientific and Technological Progress Award.

The project "Key Technology and Application of Nuclide Diagnosis and Treatment for Thyroid Disease" (《甲狀腺疾病核素診療關鍵技術及應用》) of Chengdu Gaotong Isotope Co., Ltd. (CNNC) won the third prize of Science and Technology Award of CNNC and the third prize of Sichuan Medical Science and Technology, and the project "Research on Technology of Reusing Retired Radioactive Source" (《退役放射源再利用技術研究》) won the first prize of Low Carbon Science and Technology Award of Sichuan Association of Circular Economy.

Internal platforms

Medical Diagnostic R&D Center
Radiopharmaceuticals R&D Center
Stable Isotope and Breath Test Technology R&D Center
Radioactive Sources and Application R&D Center
Irradiation Application Technology R&D Center

External platforms

IAEA Radiopharmaceuticals and Radioactive Sources Collaboration Center
National Atomic Energy Agency Research and Development Center for Nuclear Technology (Radiopharmaceutical Engineering Transformation)
CNNC Radiopharmaceuticals Engineering and Technology Research Center
Guangdong Radioactive Isotope-labeled Drugs Engineering Technology Research Center
Guangdong Stable Isotope Application Engineering Technology Research Center
Shenzhen Carbon Isotope Application Engineering Technology Research Center
Technology Center of Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd.
Beijing Enterprise Technology Center (New)
Chengdu Enterprise Technology Center (New)
CIRC Branch of Isotope Engineering and Technology Research Center
Key Laboratory of Quality Control of In Vitro Diagnostic Reagents of the National Medical Products Administration
Sichuan Radioisotope Engineering and Technology Research Center
Shanxi Molecular Imaging Technology and Equipment Research and Development and Transformation Engineering Research Center
Key Laboratory of Radiopharmaceuticals Quality Control and Evaluation of Guangdong Medical Products Administration
Shanghai Molecular Imaging Probe Engineering Technology Center
Zhejiang Engineering Research Center for Isotope Preparation and Application Technology (New)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of industry-academia-research cooperation, the Group has formed active research cooperation with industry-advantaged research institutes, universities and hospitals such as National Institute of Metrology, Shanghai Institute of Materia Medical of Chinese Academy of Sciences, China Institute for Radiation Protection, Harbin Institute of Technology, Sichuan University, Beijing Normal University, Peking Union Medical College Hospital and 301 Hospital, and strengthened academic exchanges and research talent cultivation through the establishment of joint laboratories, research and development centers and collaborative innovation centers for purpose of achieving comprehensive cooperation in technological innovation.

The Group has a long-standing commitment to building a system of high-level talents, with 2 top foreign talents, 12 national-level talents, 12 provincial and ministerial level talents, 4 chief experts, 16 technology leaders, and a scientific research team of 549 research and development personnel focusing on extensive researching and optimizing production technologies, developing new products and upgrading safety and efficacy existing products to jointly promote technological innovation in various industrial fields of the Group. In addition, the Group has set up a post-doctoral research workstation of MOHRSS, a post-doctoral innovation practice base in Shenzhen, a post-graduate workstation for radiopharmaceuticals in Jiangsu Province and a post-graduate workstation for irradiation application in Suzhou University with an aim of actively developing post-doctoral and post-graduate training and continuously strengthening the construction of talent team.

International Business

During the Reporting Period, the Group robustly explored the international market and exported breath test kits, radioimmunity kits, radiopharmaceuticals dispensing equipment, medical equipment and devices as well as other products to dozens of countries and regions such as Indonesia, Brazil, Peru, Colombia, Ecuador, India, Bangladesh, Singapore and Vietnam, realizing a total export revenue of RMB430 million. International business revenue from regular medical products maintained significant growth in 2023. During such period, the Group made breakthroughs in a number of international businesses, including the successful signing of a contract for a nuclear medicine project in Indonesia in 2023, marking the export of domestic radiopharmaceuticals for the first time, the winning of a large-scale foreign-aided healthcare project, the ADB Uzbekistan Healthcare Project, which is the first in integrated healthcare projects for the Group. Furthermore, the Group has been proactively expanding its reach into the Latin American market by grasping the opportunities, fulfilling the contract and completing the shipment of the products, as a result of which, a new market area was opened up and export revenue experienced new growth. The Group signed a strategic cooperation agreement with the leading domestic medical enterprise, solidifying the cooperation between the two parties in various fields, and jointly exploring the international market through collaborative export. The Group co-organized the Ministry of Commerce's Nuclear Technology Application Training Project for Developing Countries and participated in a number of world-class industry exhibitions and academic conferences to enhance its brand awareness and influence in overseas markets. In addition, the Group proactively promoted internal and external business synergies, expanded international channels, hosted the IAEA Radiopharmaceuticals Collaboration Center training project, improved the export risk management mechanism, launched international business training, and strengthen its internal management and business system construction on a continuous basis, so as to push forward the further improvement of the level of its international operation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Operation

During the Reporting Period, the Group has entered into agreements to acquire two enterprises with a total investment of RMB103.4087 million.

S/N	Acquired enterprise	Agreement execution date	Acquisition completion date	Acquisition amount (RMB in million)	Principal businesses	Shareholding percentage
1	Dalian CNNC Radiation Technology Co., Ltd.	2023.12	2023.12	4.6105	Research on the application of nuclear radiation technology and three wastes treatment technology; radiation processing product technology development, technical services and application research; environmental monitoring technology consultation, technical services; chemical technology and equipment test research; isotope instrument research and development; industrial automation application technology services, computer application technology services and development; general instrument research and development, production, sales, technical services; house leasing; food, pre-packaged food sales. (Items subject to approval in accordance with the law can only carry out business activities after approval by the relevant authorities.)	100%
2	Xi'an Zhanshi Testing Engineering Co., Ltd.	2023.8	2023.9	98.7982	General items: security technology protection system design and construction services; Internet of Things technology services; software development technology services, technology development, technology consulting, technology exchanges, technology transfer, technology promotion; instrument sales; digital video surveillance system sales. (In addition to items subject to approval by law, carrying out independently business activities with a business licence in accordance with the law) Permitted items: special equipment inspection and testing services; safety production inspection and testing; safety assessment business; mapping services; inspection and testing services. (Items subject to approval in accordance with the law can only carry out business activities after approval by the relevant authorities, and specific business items are subject to the approval results.)	51%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 31 December 2023, the Company's actual amount paid to Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) ("**Tongfu Fund**") was RMB429 million (including recovery of principal) accounting for 44.17% of the total actual amount paid to Tongfu Fund, which was RMB970 million. After evaluation, as of 31 December 2023, the net asset of Tongfu Fund measured at fair value was RMB1,067.46 million, and the value of the Company's share of Tongfu Fund's net asset was RMB454.58 million, accounted for 3.45% of the Group's total assets. In 2023, the Company's investment income in Tongfu Fund was RMB8.6 million, and the Company received dividend of RMB10.09 million.

As a main platform of CNNC 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, stronger and better", 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. The Company closely focuses on the established strategy and implements the merger and acquisition strategy of controlling investment at the source, strengthening the core, and extending to the downstream. Our acquisition work and direction are focused on business segments such as radiopharmaceuticals, in vitro diagnostics, and irradiation applications. Under the state-owned assets regulatory policy and system, we have formulated relevant investment management systems and authorised business systems taking into account the actual conditions of the Company and its subordinate companies, and have carried out mergers and acquisitions in light of the strategic or market investment considerations for different targets. 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, Tongfu Fund completed the second round of fundraising at the end of 2020, and introduced National Junmin Integration Industry Investment Fund Co., Ltd. and Beijing Daxing Development Guidance Fund (Limited Partnership), which has further enhanced the capital advantages of the fund. Tongfu fund primarily invests in the application areas of nuclear technology, including nuclide production, radioactive sources, other diagnostic and therapeutic drugs in the field of nuclear medicine applications, medical devices, in vitro diagnosis, medical services and industrial irradiation applications.

Production Capacity and Base Construction

In order to meet the growing demand for radiopharmaceuticals in China in a timely manner, in the past year, we vigorously practiced the "CIRC speed" by accelerating the national layout of our pharmaceutical centers. In 2023, three pharmaceutical centers in Lanzhou, Nanjing and Xi'an were completed and put into operation, as a result of which, the cumulative number of centers in operation of the Group reached 26. Seven production lines of positron drugs in Nanning, Shantou, Kunming, Xi'an, Nanjing, Yichang and Taiyuan have completed construction and were put into operation, as a result of which, the cumulative number of companies of the Group that can supply positron drugs amounted to 22. Seven pharmaceutical centers have entered the production certification stage, three were under construction and five were in the pre-project phase, gradually improving the network layout of national pharmaceutical centers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In order to further enhance the R&D and production capacity of CIRC in the fields of radiopharmaceuticals and radioactive sources, we have been vigorously promoting the construction of R&D and production bases of isotopes and their products in recent years. At present, the diagnostic and therapeutic radiopharmaceuticals manufacturing bases were mainly located in four regions, including Beijing and Ningbo, and the medical bases in North China and Shanghai that were newly planned and laid out were progressing in an orderly manner. In 2023, the construction of the main structure of the North China medical base project was completed, the installation of supporting system was finished, and the conditions for setting in the processing equipment in production plants were met. The main structure of the Shanghai medical base project was completed and the conditions for equipment installation were met. The UBT kits and analyzers manufacturing bases were located in Shenzhen and Tongcheng, and stable isotope production base project stably discharged qualified gas in trial-production. The radioactive source manufacturing bases were located in Beijing and Leshan, and the main structure of the radioactive source base project was completed. In 2023, the main structure of all parts of the CNNC Qinshan isotope production base project was finished, which will become the largest isotope production base in China after completion and is of great significance to enhance domestic manufacturing capability of isotope in China.

Aiming at the "Healthy China" Strategy and Facilitating the Construction of "One County, One Department"

Dedicated to the provision of integrated solutions in nuclear medicine and radiation therapy, the Group is a leading company in nuclear technology applications in China, integrating research and development, production, sales and services. In order to facilitate the implementation of the "Medium and Long-term Development Plan for Medical Isotopes" (《醫用同位素中長期發展規劃》) and the national development strategy of "One County, One Department", the Group has established a nuclear medicine development center in a timely manner. Starting from national and provincial demonstration centers and gradually expanding to municipal and county demonstration bases, the Company promotes standardized, regulated, and intelligent department construction solutions across the country, providing six full-cycle intelligent services covering intelligent department planning and design, intelligent site construction EPC, intelligent equipment support, nuclear medicine supply and intelligent management, full-process intelligent department management, and expert think-tanks and talent cultivation, thereby contributing to hierarchical diagnosis and treatment and "early screening", "early diagnosis", and "early treatment" of severe diseases (tumors).

Supporting and Demonstrating to Create a Brand-New Benchmark in Nuclear Medicine

In March 2023, the Group and Wu Jieping Medical Foundation jointly established Tongfu Smart Nuclear Medical Special Fund (同輻智慧核醫療專項基金), aiming to support the implementation of intelligent nuclear medicine projects in demonstration hospitals across the country, and to provide funding and resource support for the construction of intelligent departments in the field of nuclear medicine, the talent training for the "One County, One Department" program, scientific research, science popularization education, clinical training and promotion, and diagnosis and treatment assistance for poor patients. At the same time, CIRC took the lead in establishing the first national-level intelligent nuclear medicine demonstration base in Peking Union Medical College Hospital. The jointly developed and independently innovated "Irradiation Intelligence 1.0" (輻智1.0) intelligent nuclear medicine system platform was formally released in September 2023, which comprehensively promoted the development of the "Four Standards" (Process Standardization, Monitoring Systemization, Operational Visibility, and Management Regularization) in the nuclear medicine departments, setting a new benchmark for the high-quality development of intelligent nuclear medicine across the country.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group signed a strategic cooperation agreement with the Nuclear Medicine Branch of the Chinese Medical Association to jointly promote the construction of a demonstration base for the advancement of nuclear medicine diagnostic and treatment work in the country, and to help primary hospitals to realize high-quality development through free expert diagnosis, clinical seminars and departmental assistance. By the end of 2023, we started a total of 68 demonstration bases construction projects and had 28 demonstration bases passed the acceptance test and established.

Promoting Cooperation, Building Strong Alliances, and Creating a New Force for the Development of Intelligent Nuclear Medicine

In June 2023, the Group established "Zhejiang Province Nuclide Therapy Specialist Alliance" (浙江省核素治療專科聯盟) with 13 hospitals in Zhejiang Province. As a director of the Alliance, the Group, through the co-construction of the platform of the specialty alliance, took nuclide therapy as an entry point to expand and help more municipal and county hospitals that have newly established or upgraded nuclide therapy, establish a number of demonstration units of nuclide therapy, promote the popularization and coverage of nuclide therapy in Grade III general hospitals in Zhejiang Province, and gradually establish comprehensive clinical guidelines. In October, the Group organized national and provincial experts to the People's Hospital of Quzhou City, the first stop in Zhejiang Province, to carry out voluntary medical consultations and expert assistance by leveraging the resources of the Alliance and the Nuclear Medicine Branch of the Chinese Medical Association, and initiated the construction of demonstration bases for the advancement of nuclear medicine to provide medical services to the public and practically push forward the high-quality development of nuclear medicine.

In July 2023, under the guidance of the strategic agreement signed between CNNC and the government of Xinjiang Uygur Autonomous Region, the Group and 14 hospitals, including the People's Hospital of Xinjiang Uygur Autonomous Region, jointly initiated the establishment of Xinjiang "The Belt and Road" Nuclear Medicine Development Committee. At the same time, CIRC and the People's Hospital of Xinjiang Uygur Autonomous Region signed a strategic cooperation agreement to jointly build a demonstration base for integrated diagnostic and treatment of intelligent nuclear medicine, and to create a model project for the development of high-quality nuclear medicine, which served as a positive example for the development of nuclear medicine in Xinjiang.

In December 2023, the Group signed a strategic cooperation agreement with the Health Commission of Leshan City to establish the first prefecture-level nuclear medicine specialty alliance in Sichuan Province with 11 district and county hospitals in Leshan. In the meanwhile, the Group signed a cooperation agreement with the People's Hospital of Leshan City on the construction of intelligent nuclear medicine departments to fully promote the planning and implementation of "1 center, 4 nuclear medicine departments and 7 outpatient clinics".

Adhering to the market-oriented principle, the Group continuously improved its core competitiveness, focused on the strategy of "Healthy China", seized the historical development opportunities, and took advantage of the trend to lead its industry peers to jointly promote the high-quality development of China's nuclear medicine and the implementation of the "Medium and Long-term Development Plan for Medical Isotopes (2021 – 2035)" 《醫用同位素中長期發展規劃(2021-2035年)》, so as to continuously improve the level of precision medical treatment in China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Quality and Safety

In 2023, with the quality principle of "Quality First, Customer Satisfaction, Continuous Improvement and Pursuit of Excellence" and the quality concept of "Brand Foundation and Success Once", CIRC pushed forward the effective implementation of various tasks under the theme of "Promoting Development through Innovation and Optimization, and Building a Stronger Nation by Nucleus Technology and High Quality" ("創新優化促發展，核力質勝築強國").During the Reporting Period, CNHE and CNNC Accuray established quality management systems, completed the application for registration certificates for two medical devices, namely Mobile DR and TOMO C, and launched them for sale, thus giving full play to the key role of quality management in safeguarding the implementation of the Group's strategies. During the Reporting Period, we established a Group-wide information system for the assessment and evaluation on the laws and regulations of pharmaceuticals and medical devices, which was launched in the fourth quarter of the Reporting Period to facilitate the further implementation of the Drug Marketing Authorization Holder System and the continuous improvement of the quality of the Group's pharmaceuticals. Upholding the management philosophy of continuous improvement and pursuit of excellence in quality management, the Group promoted Lean and Six Sigma management throughout the Group, with 39 employees with green belts and 2 employees with black belts in total during the Reporting Period. A total of 20 Lean and Six Sigma projects were completed during the Reporting Period, achieving the effect of utilizing scientific and effective management theories to comprehensively improve product quality and quality management. During the Reporting Period, the quality risk was effectively controlled in the process of reforming state-owned enterprises to achieve a smooth transition. The Group did not experience any quality accidents (incidents) during the Reporting Period, and achieved the overall objectives of quality management for all products and services, with quality risks being stable and within control.

Safety is the lifeline of CIRC. In 2023, adhering to Xi Jinping's ideology on ecological civilization and General Secretary Xi Jinping's instructions on production safety, the Group insisted on the Party's overall leadership of production safety and comprehensively coordinated safety and development, and there were no production and safety accidents and environmental pollution incidents throughout the year. Based on the whole industry chain, the Group organized and launched the Radiation Safety Management Special Enhancement Campaign to comprehensively enhance the radiation safety management system and management capability in five aspects, namely, changing the image, eliminating hidden dangers, upgrading management, enhancing safety through science and technology, and forming unique features, and achieved significant results. The Group organized and carried out scientific research projects on waste source reuse production technology, mastered all the technical skills required for the production of industrial radiation sources from the cobalt-60 Gamma Knife waste source, and possessed the capability and conditions for the production of industrial irradiation sources from Gamma Knife waste sources, which made useful explorations for practicing radioactive waste reduction and resource utilization, and establishing a new model for the development of circular economy in the field of nuclear technology application, and is of great practical significance for promoting the sustainable development of the nuclear technology application industry in China. The East China Irradiation Safety Informatization Platform developed by the Group was officially put into operation in 2023. The platform has 16 modules and 41 sub-projects, which meets the needs of safety management of irradiation enterprises and remote monitoring by the regulatory authorities, and has been recognized by the Ministry of Ecology and Environment's Department of Irradiation Safety Supervision, East China Nuclear and Irradiation Safety Supervisory Station, and the Nuclear and Irradiation Safety Center and other regulatory authorities. On 13 December 2023, the "Nuclear + Beidou" Radioactive Sources Intelligent Monitoring Terminal, a pilot project initiated by CIRC, was successfully installed

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

and tested. The Radioactive Sources Intelligent Monitoring Terminal was successfully connected to the Beidou signals, which realized the full-process monitoring of the radioactive sources' transportation routes, and added a scientific and technological safety barrier to the management of the transportation of radioactive articles. With culture as its guiding force, the Group published the "Safety Culture Handbook of China Isotope & Radiation Corporation" (《中國同輻股份有限公司安全文化手冊》) and customized posters on the ten prohibitions on safety production, developed irradiation safety peer assessment standards and nuclear safety culture assessment standards applicable to the application of nuclear technology, explored the implementation of advanced safety management tools for nuclear power generation in enterprises engaged in the application of nuclear technology, and infused the enterprise with the safety concept of "Pursuit of Excellence".

Party Building Work

Enhancing political capabilities practically. The Group thoroughly learned and implemented the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, insisted on the "First Topic" to follow up the learning, the central group demonstration to lead the learning, the special reading class in-depth learning, and further used the Party's innovative theories to equip the mind, guide practice, and promote the work. We learned carefully to promote a deep and practical theme of education, and established a "1+2+4" working mechanism to promote the theme of education "New" and "Mindful". We conducted in-depth discussions on 10 topics, including deepening reforms and new business development, and endeavored to solve a number of challenges. The experience and practice of thematic education in promoting the development of nuclear technology application industry was published for three times in the thematic education briefings of CNNC.

Strengthening party building continuously. The Group took forward the work of increasing the members of the "two committees" in an orderly manner, with four members of the Party Committee and one member of the Discipline Inspection Committee being added. We established two new party committees, built eight new party organizations, guided the general election of party organizations of 13 member units, and continued to carry out special rectification work for the construction of party organizations of "small, remote, scattered and new" units. We further improved the Southwest China Regional Party Building Coordination Center and established the South China Regional Party Building Coordination Center. The Group launched capacity enhancement training, experience sharing and exchange in integrating party building into core work, knowledge contests and other activities for mutual empowerment. About ten important systems were newly compiled and revised.

Optimizing the talent pool of cadres. Adhering to the principle of placing cadres and talents under Party's supervision, the Group systematically planned and promoted the construction of high-quality cadres, further improved the market-oriented selection and appointment mechanism, promoted and appointed 7 leading cadres, and exchanged and adjusted 49 cadres of the Party Committee. The North China Branch of CNNC Human Resource Sharing Center was established, becoming the first human resource sharing center of CNNC to obtain the "Human Resource Service License" (《人力資源服務許可證》).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Building a strong position in ideology and culture. The Group held a series of activities to celebrate its 40th anniversary, including "Forty years of hard work, new journey and new glory" (四十載砥礪奮進，新征程再創輝煌), organized and carried out important activities, such as visiting former leaders, holding seminars, publishing milestones, recognizing outstanding people, setting up exhibition halls, and hosting thematic lectures on "China's Nuclear Industry under the Leadership of the Party" ("黨領導下的中國核工業"). The new version of "Corporate Culture Handbook" 《企業文化手冊》 was issued, which was honored as the Golden Award for the most beautiful voice of communication by China Culture Management Association. Two cases were successfully selected in the "CNNC Annual Corporate Social Responsibility Report 2022" 《中核集團2022年度企業社會責任報告》, two cases were successfully selected in the "CNNC Blue Book of Overseas Social Responsibility (2023)" 《中核集團海外社會責任藍皮書(2023)》, and the practical case of harmonization culture "Concentrate on "Nuclear" Force, Radiate "Intelligent" Future" 《同心"核"力輻"智"未來》 was honored as one of the Top 10 Excellent Cases of CNNC in 2023.

Strengthening brand promotion and leadership. The Group adhered to the Party's control over ideology, strictly implemented the responsibility system for ideological work, and rectified the ideological stronghold on the Internet. We launched comprehensive publicity on new media matrix, such as People's Daily, Xinhua Finance, Enterprise Management, the magazine in charge of SASAC, and the Group's official microblog. The exploration of "CIRC Medical" (同輻醫療) sub-brand creation path won the "2022 Model Case of Brand Building of State-owned Enterprises" award. We jointly established the National Defense Education Exhibition Hall with the 221 Bureau (二二一局) and the Guangzhou National Defense Education Center to create the first nuclear industry publicity platform in Guangdong Province.

Identifying advanced typical examples. The Group gave full play to the role of honorary recognition as a spiritual guide and typical example. During the year, the Group selected 30 "Double Excellence" (兩優) party members and 3 "One Pioneer" (一先) party organizations, and a total of 2 organizations and 9 individuals were honored by China Baoyuan. A total of 5 organizations and individuals were honored with CNNC's May 4th Youth Award, 24 organizations and individuals were honored with China Baoyuan's May 4th Youth Award, and 2 organizations were honored with Shenzhen Youth Award.

Promoting comprehensive and strict governance of the Party. The Group took the "two responsibilities" for the construction of the clean and honest government, emphasized political supervision, established a list of key concerns, and followed up on the 13 specific tasks and objectives continuously. The Group established a list of annual supervision and inspection programs and carried out 41 supervision and inspections throughout the year. We intensified the construction of clean culture, and the clean culture bases of 5 units were evaluated as excellent clean culture micro-base demonstration points of China Baoyuan. We compiled and published the "E-Manual on Integrity in the Workplace" 《廉潔從業電子手冊》, which compiles a list of positive and negative aspects of job performance in 15 business areas.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Systematically implementing mass organization work. The Group was concerned about the good life of its employees, carefully organizing various cultural, sports and athletic activities, and carrying out various kinds of consolation and other activities. We held employee meetings on a regular basis to consider major issues such as employee Directors and Supervisors. We were awarded the Outstanding Organization of Retirement Highlights of CNNC for the year 2023. The Group set up a youth commando, established youth civilization units and demonstration posts for youth production safety, organized and carried out exchange activities for youth innovation and efficiency, created an environment for youth innovation, and served the youth to grow up and become a success.

Future Development

2024 will mark the 75th anniversary of the founding of the People's Republic of China, and is the key year for realization of the objectives of the "14th Five-Year Plan". Looking back at the past 40 years of hard work, CIRC has grown from scratch, from small to large, step by step to become the industry leader, and made positive contributions to the nuclear industry's strong foundation, leapfrog development, overall improvement of system capability, and accelerating catch-up from big to strong. Looking ahead, CIRC will adhere to the principle of "helping people's livelihood and benefiting society", give full play to the unique advantages of nuclear medicine in the diagnosis and treatment of major diseases such as neurodegenerative diseases, cardiovascular and cerebrovascular diseases and malignant tumors, and provide quality products, services and integrated solutions to better protect people's lives and health and facilitate the construction of "Healthy China".

In 2024, the Company will closely focus on the goals and tasks of the "14th Five-Year Plan", keep a firm understanding of the profound connotation of "Chinese-style modernization is the greatest politics, and high-quality development is the absolute principle in the new era", and strive to promote the modernization of the governance system and governance capacity, and continuously consolidate the dominant position in the market. We will standardize our operation, pursue lean management, make changes and innovations, be efficient and high-quality, and make every effort to drive our economic performance to a record high. In addition, we will strive to strengthen our new strengths in isotopes and related products, to break new ground for nuclear medical equipment, and to explore new areas for application of irradiation. we will also take bold steps to promote the reform deepening and enhancement action, strive for excellence to comprehensively improve the management effectiveness, and make concerted efforts to build a synergistic development landscape. Besides, we will continue to deepen our party building work, practically improve our innovation and value creation capabilities, continuously strengthen our core functions and enhance our core competitiveness, and perform the three major roles of scientific and technological innovation, industry control, and safety support, in order to accomplish the planning objectives and tasks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

All efforts to achieve the core objective of stabilizing growth. Since the publication of the "Medium and Long-term Development Plan for Medical Isotopes (2021-2035)" (《醫用同位素中長期發展規劃(2021-2035年)》), there has been a significant increase in concern and awareness of medical isotopes and related industries from all walks of life, and the governments at all levels are particularly concerned about the innovative development of radiopharmaceuticals. The Ministry of Industry and Information Technology, the State Administration of Science, Technology and Industry for National Defence, and the National Medical Products Administration and other competent departments have attached great importance to and initiated relevant policy research and formulation. China's nuclear technology application industry is entering the "fast lane" of development under the impetus of favorable policies. CIRC will firmly grasp the development opportunities and make every effort to maintain the good growth momentum. In 2024, we will strive to achieve new highs in operating indicators such as operating income and net profit.

Strengthening new strengths in isotopes and related products. CIRC will continue to strengthen the research and development of isotopes and products, capacity building and business expansion, and continue to consolidate its leading position in the domestic radiopharmaceutical and radioactive source industries. We will insist on independent research and development and technology introduction to enrich the product pipeline quickly and efficiently. The sodium fluoride-18 injection project has obtained drug registration certificate and officially launched for sale. A series of projects under research and development such as iodine-131-MIBG injection are being promoted rapidly to obtain certification as early as possible. We will accelerate the construction of six bases including North China, East China and Sichuan to speed up the expansion of the national pharmaceutical center and strengthen the control of the industry. CIRC will actively develop external cooperation and continue to enhance the influence and voice of the industry. In addition, we will accelerate promoting the "One County, One Department" program of CIRC, and the "Irradiation Intelligence 1.0" intelligent nuclear medicine platform to help nuclear medicine departments across the country achieve high-quality development.

Striving to break new ground for nuclear medical equipment. CIRC will increase its efforts in independent innovation and external cooperation to build an international first-class nuclear medical equipment enterprise integrating research and development, production, sales and services, and to break new ground for nuclear medical equipment. We will adhere to the general principle of seeking progress while maintaining stability, strengthen the analysis of the nuclear medical equipment industry, systematically plan the business development strategy and the path of advancement, and form the "integrated diagnosis and treatment" industrial layout. We will accelerate product substitution by domestic products and speed up independent innovation. The domestic Gamma Knife has obtained the medical device registration certificate and has been put on the market for sale, accelerating the pace of independent research and development around the key components of high-end medical equipment, and gradually realizing substitution by domestic products.

Exploring new areas for application of irradiation. CIRC strives to become a leading irradiation application company in China. We will grasp the development trend of the industry, accelerate the implementation of new projects in the irradiation industry, and continuously improve the network of irradiation processing services in the regions in which CIRC has an advantage. We will accelerate the industrialization of accelerator applications and actively extend to the end of products. CIRC completed the construction of the first industrial-scale production line of radiation curing plate materials, achieving a new breakthrough in the business of irradiation new materials. We will increase our efforts in mergers and acquisitions, and complete a number of capital operation projects in the field of irradiation applications, which are important for supporting the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Taking bold steps to promote the reform deepening and enhancement action. CIRC will not waver in its belief in reform and further release the innovative vitality and development potential of the Company through deepening reform. We will solidly promote CIRC's "Reform Deepening and Enhancement Action", consolidate and deepen institutional reforms, focus on functional reforms, prioritize the implementation and accelerate the development of strategic new industries, better serve national strategies, and satisfy the growing demand for medical isotopes and related products among domestic users. In addition, we will fully promote the reform of the market-oriented operation mechanism, implement the contractual assessment of the tenure system, and stimulate the spirit of entrepreneurship among cadres and employees. CIRC will further optimize the pattern of gradient cultivation of "specialized, refined, differential and innovative" enterprises, establish 2-3 new "specialized, refined, differential and innovative" enterprises and 1-2 new "Little Giant" enterprises.

Striving for excellence to comprehensively improve management effectiveness. CIRC will keep pace with the times and plan for the future, study and compile the medium and long-term development plans for isotopes, radiopharmaceuticals, nuclear medical equipment and other sub-sector of its business, more accurately grasp the laws of the sub-sector, highlight the new journey, new starting point and new mission, and focus more on high level, performance and quality. We will firmly carry out the specific work of "CIRC Work Plan for Improving the Quality of Listed Companies" (《中國同輻提高上市公司質量工作方案》) to strengthen the quality of listed companies internally and build up their image externally, and continuously improve the core competitiveness and market influence of listed companies. CIRC will accelerate its digital transformation and upgrading, promote the construction of smart factory projects and enhance its digital operation capability. We will comprehensively strengthen the special campaigns on nuclear and radiation safety management and continue to consolidate the foundation for safe development. Besides, we will continue to improve our level of quality management and promote the implementation of high-level Lean and Six Sigma projects. CIRC will speed up the establishment of Lean Benchmarking Workshops for business modules such as radiopharmaceuticals, radioactive sources and nuclear medical equipment, and continuously enhance the efficiency of the standardized operation of the Medical Center. In addition, we will strengthen the construction of the compliance system, continue to deepen the application of "four-in-one" system of compliance, risk, internal control and law, establish an integrated and coordinated workflow, and improve the effectiveness of compliance management.

Making concerted efforts to build a synergistic development landscape. We will firmly establish the basic concept of "synergizing and enhancing overall functions", increase the overall awareness, and promote the development of our business on the premise of keeping the whole picture in mind. CIRC will consolidate the concept of system, promote the optimal functioning of the whole through high-level synergy, and creatively push forward our work on various fronts to achieve new results. We will also increase cooperation with domestic universities and colleges in technological innovation in areas such as nuclear medicine and irradiation application, drive the in-depth integration of the industrial chain, innovation chain and talent chain, and promote the integration of industry, academia, research and application of synergistic innovation. In addition, we will maintain the conglomerate operation, take the overall solution of nuclear medicine as the guide, accelerate the integration of internal advantageous resources, and promote the upstream and downstream development of isotopes, radiopharmaceuticals, radioactive sources, and nuclear medical equipment, so as to continuously consolidate and give full play to CIRC's competitive advantages in "drug and equipment synergies" and "resource and equipment synergies".

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The "14th Five-Year Plan" is a strategic opportunity period for the development of the nuclear technology application industry. We will closely focus on the objectives of the "14th Five-Year Plan", unify our ideology and understanding, maintain our strategic determination, practice the "CIRC speed", make every effort to promote the implementation of the key tasks of the "14th Five-Year Plan", and accelerate the establishment of an internationally renowned isotope and radiation technology application products and services supply group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief of the Directors, the Directors consider that the following are the principal risks and uncertainties identified by the Group as at the Latest Practicable Date.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. During the year ended 31 December 2023, other than those mentioned above, the Group did not carry out any other hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi is less likely to have a financial impact on the Group.

Interest Rate Risk

For interest-sensitive products and investments, the Group analyses the interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorization system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group would be submitted to the Board.

Economic Environment

Most of the Group's facilities, operations are located in and its revenue derived from mainland China and Hong Kong. The Group's results of operations and financial condition therefore depend on the economies of mainland China and Hong Kong. The economy of Hong Kong is significantly affected by the developments in mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate.

The Group also has significant business across the PRC and one of its growth strategies is to expand into new regions. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

FINANCIAL REVIEW

Revenue

We derived our revenue mainly from five major business segments: (1) pharmaceuticals; (2) radioactive source products; (3) irradiation; (4) radiation therapy equipment and related services; and (5) other businesses.

Our revenue increased by 7.82% from RMB6,153.5 million in 2022 to RMB6,635.0 million in 2023, which was mainly due to an increase in revenue from our pharmaceuticals, radiation therapy equipment and related services segments.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 19.6% from RMB2,635.9 million in 2022 to RMB3,152.8 million in 2023, which was mainly due to a corresponding increase in cost of sales of radiation therapy equipment and related services and other businesses, resulting from the increase in revenue.

Our gross profit decreased by 1.0% from RMB3,517.7 million in 2022 to RMB3,482.2 million in 2023 and our gross margin decreased from 57.2% to 52.5%. The decrease in gross profit was primarily due to the relatively significant increase in the revenue of the radiation therapy equipment and related services and other businesses, which had a lower gross margin, pulling down the overall gross profit growth.

Other Income, Gains and Losses

Our other income increased by 164.1% from RMB91.2 million in 2022 to RMB240.9 million in 2023, mainly due to the increase in investment income from disposal of Beijing North Institute of Biotechnology Co., Ltd. (北京北方生物技術研究所有限公司), a former subsidiary of the Company, during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 1.1% from RMB1,788.1 million in 2022 to RMB1,768.4 million in 2023, mainly due to the decrease in sales service fees as a result of the changes in the Company's pharmaceuticals sales policies during the year.

The percentage of our selling and distribution expenses to revenue decreased from 29.1% in 2022 to 26.7% in 2023.

Administrative Expenses, Research and Development Costs and Credit Impairment Losses

Our administrative expenses, research and development costs and credit impairment losses increased by 11.7% from RMB906.9 million in 2022 to RMB1,013.2 million in 2023, mainly due to (i) the increase in credit impairment losses from the Company's receivables during the year, and (ii) the increased employee compensation.

The percentage of our administrative expenses, research and development costs and credit impairment losses to revenue increased from 14.7% in 2022 to 15.3% in 2023.

Finance Costs

Our finance costs increased 2.3% from RMB35.3 million in 2022 to RMB36.1 million in 2023.

Share of Profits Less Losses of Associates and Share of Profits of Joint Ventures

Our share of profits less revenue of associates decreased by 266.0% from RMB8.6 million in 2022 to RMB-14.3 million in 2023, mainly due to the decrease in profit of associates during the year.

Our share of profits of joint ventures decreased by 6.7% from RMB33.5 million in 2022 to RMB31.3 million in 2023, mainly due to the year-on-year decrease in the appreciation of the investment projects of Tongfu Fund, a joint venture of the Company.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 0.2% from RMB920.8 million in 2022 to RMB922.4 million in 2023.

Income Tax Expense

Our income tax expense decreased by 11.6% from RMB165.6 million in 2022 to RMB146.3 million in 2023. Our effective tax rates were 18.0% and 15.9% in 2022 and 2023, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 2.8% from RMB755.2 million in 2022 to RMB776.1 million in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Overview

For the year ended 31 December 2023, the total assets of the Group have increased. The total assets, the total liabilities and the total equity were RMB13,191.7 million, RMB6,052.4 million and RMB7,139.3 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 2023	31 December 2022 *(Restated)*
Inventories	**814.2**	678.6
Contract assets	**19.9**	27.4
Trade and bill receivables	**3,876.3**	3,495.0
Deposits and other receivables	**254.6**	151.8
Prepayments	**337.9**	237.0
Cash at bank and on hand	**2,891.6**	2,954.0
Total Current Assets	**8,194.5**	7,543.8
Bank loans	**196.3**	37.2
Corporate bond	**–**	–
Trade payables	**626.7**	494.1
Accruals and other payables	**3,256.0**	3,289.6
Lease liabilities	**20.9**	28.5
Provisions	**86.6**	86.3
Income tax payable	**67.5**	95.7
Total Current Liabilities	**4,254.0**	4,031.4
Net Current Assets	**3,940.5**	3,512.4

Our net current assets increased by 12.2% from RMB3,512.4 million as of 31 December 2022 to RMB3,940.5 million as of 31 December 2023, which was mainly due to the increase in the Company's trade receivables.

Adjusted Net Gearing Ratio and Quick Ratio

Our adjusted net gearing ratios (adjusted net debt (interest-bearing debt plus unaccrued proposed dividends) divided by adjusted equity (total equity of the Company less unaccrued proposed dividends)) were 16.2% and 25.5% as of 31 December 2022 and 31 December 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our quick ratios (total current assets, excluding inventories, divided by total current liabilities as of the same date) were 1.7 times and 1.7 times as of 31 December 2022 and 31 December 2023, respectively.

Trade and Other Receivables

Trade and other receivables are stated at amortized cost using the effective interest method less allowance for credit losses. As of 31 December 2023, our trade and other receivables (net of bad debt allowance of RMB217.82 million) were RMB4,130.9 million.

Trade and Other Payables

Our trade and other payables mainly consist of trade payables and accruals and other payables, which include receipts in advance, other taxes payables, deposits from promoters, payables to promoters, payables for staff related costs, dividends payables and other accruals and payables. As of 31 December 2023, our trade and other payables were RMB3,882.6 million.

Bank Loans and Pledge of Assets

As of 31 December 2023, the Group's total bank loans amounted to RMB1,570.37 million.

As of 31 December 2023, the unsecured long-term bank loans mainly comprised of:

(i) A loan principal of RMB622.95 million borrowed by the Group in 2023 at an interest rate of 2.7%.

(ii) A loan principal of RMB151.53 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.23%.

(iii) A loan principal balance of RMB145 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.7%.

(iv) A loan principal balance of RMB132.86 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.8%.

(v) A loan principal balance of RMB107.07 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.0%.

(vi) A loan principal balance of RMB86.48 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.03%.

(vii) A loan principal balance of RMB59.10 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.0%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(viii) A loan principal balance of RMB33.19 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.7%.

(ix) A loan principal balance of RMB16.65 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.8%.

(x) A loan principal balance of RMB10.06 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.55%.

As of 31 December 2023, the secured long-term bank loan mainly comprised of a loan principal of RMB5.84 million borrowed by a subsidiary of the Group at an interest rate of 4.985%, with a carrying amount of RMB5.84 million in 2023, for which assets with total carrying amount of RMB7.79 million were pledged, among them, property, plant and equipment amounted to RMB1.06 million, investment property amounted to RMB5.86 million and intangible assets amounted to RMB0.87 million. Details of the mortgage are set out in Note 24(a) to the consolidated financial statements in this annual report.

As of 31 December 2023, the unsecured short-term bank loan mainly comprised of:

(i) A loan principal of RMB66.60 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.95%.

(ii) A loan principal of RMB51.0 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.40%.

(iii) A loan principal balance of RMB26.60 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 3.00%.

(iv) A loan principal of RMB18.36 million borrowed by a subsidiary of the Group in 2023 at an interest rate of 2.95%.

As of 31 December 2023, the secured short-term bank loan mainly comprised of a loan principal of RMB13 million borrowed by a subsidiary of the Group, including a loan borrowed at an interest rate of 3.82%, with a carrying amount of RMB10 million in 2023, and a loan borrowed at an interest rate of 3.00%, with a carrying amount of RMB3 million in 2023, for which property, plant and equipment with a total carrying amount of RMB13 million were pledged. Details of the mortgage are set out in Note 24(b) to the consolidated financial statements in this annual report.

Capital Expenditures

Our capital expenditures mainly comprise additions to plant and equipment and intangible assets. In 2023, our capital expenditures were RMB1,046.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Contingent Liabilities

As of 31 December 2023, we did not have any material contingent liabilities.

Foreign Exchange and Foreign Exchange Risk

During the year ended 31 December 2023, the Group was exposed to currency risk primarily through bank deposits denominated in foreign currency, which were primarily Hong Kong dollars. The Group monitors foreign exchange movements and determines exchange when necessary. The Group currently has no foreign exchange hedging policy.

Credit Risk

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

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

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate commitment funds from major financial institutions to meet both short-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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DIVIDEND POLICY

The dividend policy of the Company is summarized as below:

In distributing the profit after tax of the current year, the Company shall allocate 10% of its profit into its statutory reserve fund. When the aggregate amount of the statutory reserve fund of Company is more than 50% of its registered capital, further appropriations are not required. Where the statutory reserve fund of the Company is insufficient to make up for the losses of the previous year, the profits of the current year shall be used to make up for such losses before making allocation to its statutory reserve fund in accordance with the aforementioned. After allocation of its profits after tax to its statutory reserve fund, the Company may, subject to the approval of the shareholders of the Company at the shareholders' general meeting allocate its profits after tax to its discretionary reserve fund. After making up for the losses and making allocations to the reserve fund, any remaining profits after tax shall be distributed by the Company to the shareholders of the Company in proportion to their respective shareholdings according to the resolution adopted at the shareholders' general meeting of the Company. If the shareholders' general meeting of the Company has, in violation of the provision of the aforementioned, distributed profits to the shareholders of the Company before the Company has made up for its losses and made allocations to its statutory reserve fund, the shareholders of the Company shall return to the Company the profit distributed in violation of the provision. The Company's shares held by the Company are not entitled to any profit distribution.

The Company may distribute dividends in the form of cash or shares.

Dividends are declared and paid in RMB to holders of domestic shares of the Company, whereas dividends payable to holders of H shares will be declared in RMB and payable in Hong Kong dollars. Exchange rate between RMB and Hong Kong dollar will be the arithmetic mean of the median of the exchange rates of Hong Kong dollars against RMB as quoted by the People's Bank of China for the five business days preceding the date of the dividend payment (inclusive). The Company's specific profit distribution proposal will be formulated by the Board in accordance with the relevant laws and regulations and the Company's operating conditions, based on the opinions of the Company's independent Directors, and will be considered and decided by general meeting of the Company. In the event that a profit distribution proposal is approved at the general meeting of the Company, the Company will implement the specific plan within two months after the conclusion of the relevant general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

When the Board recommends the declaration of cash dividends to shareholders of the Company (the "Shareholder(s)") 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 2023.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 26 March 2024, the Board resolved to propose to issue bonds by the Company, in accordance with requirements of the relevant laws, regulations and regulatory documents, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for the Issue and Trading of Bonds. For further details, please refer to the announcement of the Company dated on 26 March 2024.

Save as disclosed above, there were no significant subsequent events to be disclosed after the Reporting Period to the Latest Practicable Date.

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 estimated expenses in relation to the Global Offering. As at 31 December 2023, current assets of approximately RMB268.1 million were used and approximately RMB536.1 million was used in selective mergers and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has utilised the net proceeds from the Global Offering in accordance with the intended use disclosed in the prospectus of the Company dated 22 June 2018 and the announcements of the Company dated 29 March 2019 and 20 September 2019. In accordance with the requirements of paragraph 11(8) of Appendix D2 of the Listing Rules, the use of proceeds will be updated to provide the use of proceeds from the initial public offering for 2023 (including the expected timeline of full utilisation of the balance), which is 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 as of 31 December 2019	Amount Utilised as of 31 December 2020	Amount Utilised as of 31 December 2021	Amount Utilised as of 31 December 2022	Amount Utilised as of 31 December 2023	Balance as of 31 December 2023	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	200.0	251.5	427.0	459.3	0.7	In 2024
Establishment of production and distribution subsidiaries	67.3	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0	
Establishment of new production facilities	84.5	50.0	0.0	50.0	50.0	50.0	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	101.2	105.4	105.5	105.5	12.8	In 2024
Investments/selective (mergers) acquisitions	286.5	536.1	51.4	529.9	536.1	536.1	536.1	536.1	0.0	
Working capital and general corporate purposes	143.3	268.1	71.7	232.5	268.1	268.1	268.1	268.1	0.0	
Total	1,432.5	1,432.5	123.1	918.5	1,155.4	1,211.1	1,386.7	1,419.0	13.5	

Note: 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 the investment in the research and development is subject to the actual timeline of utilisation of the projects. The Company will fulfill the disclosure obligations in accordance with the relevant requirements according to the progress of the projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 3,105 (as at 31 December 2022: 3,376) employees as at 31 December 2023. During the year ended 31 December 2023, our staff costs were approximately RMB867.4 million (for the year ended 31 December 2022: RMB797.8 million). The remuneration policy of the Group is to motivate and retain excellent staff so as to realize the long-term enterprise goals and objectives of the Group. The employee remuneration policy of the Group is determined after taking into account the overall salary level in the industry, employees' performance and other factors. The management regularly reviews the employee remuneration policy and arrangement of the Group.

We provide our employees with salaries and bonuses, as well as employee benefits, including employee retirement benefit schemes, medical and vocational injury insurance schemes and housing provident fund schemes. Our employees located in China are covered by the mandatory social security schemes defined by PRC local practice and regulations, which are essentially defined contribution schemes. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government authorities, whereby these entities are required to contribute to the schemes at a rate of 16% of the employees' basic salaries. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement. Details of the defined contribution schemes are set out in Note 28(b) to the "Financial Statements" in this annual report. In addition to the government-mandated basic pension and medical program, the Group provides defined retirement benefits to civil retirees, current retirees and certain eligible active employees (the "**Plan**"), which covers 26% of the Group's employees as at 31 December 2023. The Plan is administered by the Group and funded by the working capital of the Group. Under the Plan, the qualified retirees and/or employees are entitled to fixed supplemental post – retirement pension benefits, fixed death benefits and supplemental post-retirement medical benefits. No plan assets have been created under the Plan, therefore there is no relevant information on the market value, level of funding, or material surplus or deficiency of the plan assets available for disclosure. Details of the defined benefit plan are set out in Note 28(a) to the "Financial Statements" in this annual report.

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

HEDGING ACTIVITIES

During the year ended 31 December 2023, the Group had not entered into any hedging transaction in relation to foreign exchange risks or interest rate risks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In August 2023, CNGT, a subsidiary of the Company, entered into a share acquisition agreement with Xi'an Zhanshi Testing & Engineering Co., Ltd. ("**Zhanshi Testing**") in Xi'an, pursuant to the which, CNGT will acquire 51% equity interest of Zhanshi Testing. For details, please refer to the Company's announcement dated 22 August 2023.

On 23 November 2023, the Company (as the transferor) and CNNC Health Investment Co., Ltd. ("**CNNC Health**") (as the transferee) entered into the equity transfer agreement, pursuant to which the Company agreed to sell and CNNC Health agreed to acquire 100% equity interest held by the Company in Beijing North Institute of Biotechnology Co., Ltd. ("**BNIBT**") for a consideration of RMB260,115,800. Upon completion of the disposal, the Company will cease to hold any equity interest in BNIBT and BNIBT will no longer be accounted for as a subsidiary of the Group and its financial results would no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the Company's announcement dated 8 September 2023, 23 October 2023 and 23 November 2023, and the circular dated 6 December 2023.

On 28 December 2023, the Company, China National Nuclear Corporation Dalian Institute of Applied Technology and Dalian CNNC Radiation Technology Co., Ltd. ("**Dalian CNNC Radiation**") entered into the equity transfer agreement, pursuant to which, the Company agreed to acquire and China National Nuclear Corporation Dalian Institute of Applied Technology agreed to sell 100% equity interest held by it in Dalian CNNC Radiation for a consideration of RMB4,610,500. Upon completion of the Equity Transfer, the Company will hold 100% equity interest in Dalian CNNC Radiation and Dalian CNNC Radiation will be accounted for as a subsidiary of the Group and its financial results would be consolidated into the consolidated financial statements of the Group. For details, please refer to the Company's announcement dated 28 December 2023.

Save as disclosed above, during the Reporting Period, the Company did not have any other acquisition and disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

As of the Latest Practicable Date, the Company has no specific plans for significant investment or acquisition of capital assets in the future.

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that the Shareholders' benefits will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risks are understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 of the Listing Rules as the basis of the Company's corporate governance practices.

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

The Board is of the view that throughout the year ended 31 December 2023, the Company has complied with all the code provisions as set out in the CG Code.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 Issuers as set out in Appendix C3 of the Listing Rules (the "**Customised Code**") as its own code of conduct regarding securities transaction by all Directors, Supervisors and the relevant employees of the Company.

Having made specific enquiry by the Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the required standards as set out in the Customised Code during the Reporting Period. No incident of non-compliance with the Customised Code by such employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and takes collective responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors make decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises 11 Directors, consisting of three executive Directors, namely Mr. Zhang Junqi, Mr. Xu Hongchao and Mr. Fan Guomin; four non-executive Directors, namely Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu and Ms. Liu Xiuhong; four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 60 to 66 of this annual report.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance Records of Directors and Board Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2023 is set out below:

	Attendance/Number of Meetings								
Directors	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategy Committee	Legal Affairs Committee	Science and Technology Innovation Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Wang Suohui[1]	6/6				1/1	1/1	1/1	1/1	1/1
Mr. Zhang Junqi[2]	1/1				1/1				1/1
Mr. Xu Hongchao	7/7				2/2		1/1	1/1	1/1
Mr. Du Jin[7]	6/6						1/1	1/1	1/1
Mr. Fan Guomin[8]	1/1								
Mr. Chen Shoulei	7/7	6/6			2/2	1/1		1/1	1/1
Mr. Dai Shuquan[3]	2/2				1/1			1/1	
Mr. Ding Jianmin[4]	5/5				1/1				1/1
Ms. Chang Jinyu	7/7							1/1	1/1
Ms. Liu Xiuhong	7/7			4/4		1/1		1/1	1/1
Mr. Hui Wan Fai[5]	2/2	2/2	1/1			1/1		1/1	1/1
Mr. Poon Chiu Kwok[6]	5/5	4/4	2/2						1/1
Mr. Tian Jiahe	7/7				2/2		1/1	1/1	1/1
Ms. Chen Jingshan	7/7		3/3	4/4		1/1		1/1	1/1
Mr. Lu Chuang	7/7	6/6	3/3	4/4			1/1	1/1	1/1

1 Mr. Wang Suohui resigned as the chairman of the Board, executive Director, the chairman of the Strategy Committee, the Legal Affairs Committee and Science and Technology Innovation Committee on 21 December 2023 due to change in work arrangement

2 Mr. Zhang Junqi was appointed as the Chairman of the Board, executive Director, the chairman of the Strategy Committee, the Legal Affairs Committee and Science and Technology Innovation Committee on on 22 December 2023

3 Mr. Dai Shuquan resigned as a non-executive Director and member of the Strategy Committee on 30 June 2023 due to change in work arrangement

4 Mr. Ding Jianmin was appointed as a non-executive Director and member of the Strategy Committee on 30 June 2023

5 Mr. Hui Wan Fai resigned as an independent non-executive Director, chairman of the the Audit and Risk Management Committee, members of the Nomination Committee and Legal Affairs Committee on 30 June 2023 due to change in work arrangement

6 Mr. Poon Chiu Kwok was appointed as an independent non-executive director, chairman of the the Audit and Risk Management Committee, members of the Nomination Committee and Legal Affairs Committee on 30 June 2023

7 Mr. Du Jin retired as an executive Director and a member of the Science and Technology Innovation Committee on 22 December 2023 upon expiry of term of office

8 Mr. Fan Guomin was appointed as an executive Director and a member of the Science and Technology Innovation Committee on 22 December 2023

CORPORATE GOVERNANCE REPORT (CONTINUED)

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other directors on 23 December 2023. All the relevant Directors attended this meeting.

Chairman and Chief Executive Officer

Mr. Wang Suohui, an executive Director, resigned as the chairman of the Board on 21 December 2023 due to change in work arrangement, and Mr. Zhang Junqi took the role as the chairman of the Board on 22 December 2023, while Mr. Xu Hongchao, an executive Director and general manager, assumes the role of the chief executive officer of the Company. The chairman of the Board provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of independent non-executive Directors. The Board of the Company comprises four independent non-executive Directors (representing approximately one-third of the Board members), with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

The Company has established a Board independence evaluation mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions the Company needs to take to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2023, all Directors have completed the independence evaluation in the form of a questionnaire individually, which was supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Appointment and Re-election of Directors

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

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board of Directors of the Company has discharged its duties in relation to corporate governance in accordance with Rule A.2.1 of Appendix C1 to the Listing Rules: (1) to develop and review the Company's corporate governance policies and practices and make recommendations to the Board; (2) to review and monitor the training and continuous professional development of Directors and senior management; (3) to review and monitor the Company's policies and practices in relation to compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual (if any) for employees and directors; and (5) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board reviewed and amended a series of corporate governance systems related to the work of the Board, internal control and budget management, organized Directors and senior management to participate in various training that facilitated their continuous professional development, reviewed the Company's compliance management, reviewed the Company's compliance with the CG Code and approved disclosure in the "Corporate Governance and Corporate Governance Report" of this report.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Continuous Professional Development of Directors

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

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

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

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

During the year ended 31 December 2023, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the year ended 31 December 2023 are summarized as follows:

Directors	**Type of Training**[Note]
Executive Directors	
Mr. Wang Suohui (resigned on 21 December 2023 due to change in work arrangement)	A, B
Mr. Zhang Junqi (appointed on 22 December 2023)	A, B
Mr. Xu Hongchao	A, B
Mr. Du Jin (retired on 22 December 2023 upon expiry of term of office)	A, B
Mr. Fan Guomin (appointed on 22 December 2023)	A, B

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors	Type of Training[Note]
Non-executive Directors	
Mr. Chen Shoulei	A, B
Mr. Dai Shuquan (resigned on 30 June 2023 due to change in work arrangement)	A, B
Mr. Ding Jianmin (appointed on 30 June 2023)	A, B
Ms. Chang Jinyu	A, B
Ms. Liu Xiuhong	A, B
Independent Non-executive Directors	
Mr. Hui Wan Fai (resigned on 30 June 2023 due to change in work arrangement)	A, B
Mr. Poon Chiu Kwok (appointed on 30 June 2023)	A, B
Mr. Tian Jiahe	A, B
Ms. Chen Jingshan	A, B
Mr. Lu Chuang	A, B

Note:

Types of Training

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

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 to 3.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit and Risk Management Committee

As at 31 December 2023, the Audit and Risk Management Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Poon Chiu Kwok (Chairman), Mr. Lu Chuang and Mr. Chen Shoulei.

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

During the year ended 31 December 2023, the Audit and Risk Management Committee held six meetings to review annual financial results and report in respect of the year ended 31 December 2022, interim financial results and report in respect of the six months ended 30 June 2023, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, audit planning, engagement of non-audit services, continuing connected transactions and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The attendance of the Audit and Risk Management Committee meetings is set out under "Attendance Records of Directors and Board Committee Members" on page 41.

Nomination Committee

As at 31 December 2023, the Nomination Committee consists of three independent non-executive Directors, namely Ms. Chen Jingshan (Chairman), Mr. Lu Chuang and Mr. Poon Chiu Kwok.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

During the year ended 31 December 2023, the Nomination Committee held three meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of non-executive and independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 41.

Board Diversity Policy

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one of the members of the Board shall be female;

(B) at least one-third of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(C) at least one-third of the members of the Board shall be independent non-executive Directors;

(D) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(E) at least two of the members of the Board shall have more than five years of experience in the industry he/she is specialised in;

(F) at least one of the members of the Board shall have China-related work experience.

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

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the Latest Practicable Date:

	Female	**Male**
Board	27.27% (3)	72.73% (8)
Senior management (excluding directors)	–	100.00% (6)
Other employees	34.85% (1,171)	65.15% (2,189)

The Board had targeted to achieve and had achieved the goal of at least one female Director and 30.00% of female employees of the Group and considers that the above current gender diversity is satisfactory.

The Board is committed to improving the gender diversity among the senior management as and when suitable candidates are identified for the appointment of senior management.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report for 2023 of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Director Nomination Policy

The Nomination Committee makes recommendations to the Board on the candidates of Directors and as well as on the appointment or re-appointment of Directors and the succession plan for directors, in particular the chairman of the Board.

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2023, the Nomination Committee recommended to the Board the appointment of a new executive Director, a new non-executive Director and new independent Director, namely Mr. Zhang Junqi, Mr. Ding Jianmin and Mr. Poon Chiu Kwok, respectively.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also review at least annually the structure, size and composition (including skills, knowledge and experience) of the Board and diversity of the Board to ensure that it has a balance of expertise, skills, experience and diversity of perspectives appropriate to complement the Company's corporate strategy.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Remuneration and Appraisal Committee

As at 31 December 2023, the Remuneration and Appraisal Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Lu Chuang (Chairman), Ms. Chen Jingshan and Ms. Liu Xiuhong.

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

During the year ended 31 December 2023, the Remuneration and Appraisal Committee held four meetings to assess Directors' performance, review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. The Remuneration and Appraisal Committee also made recommendations to the Board on the terms of service contracts or letters of appointment of the new Directors appointed during the year.

Details of the remuneration of Directors for the Reporting Period are set out in note 9 in the Notes to the Audited Financial Statements for the year ended 31 December 2023.

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

Remuneration Band (RMB)	**2023 Number of Individuals**	2022 Number of Individuals
Less than 500,000	**–**	1
500,000-800,000	**3**	–
More than 800,000	**2**	4
Total	**5**	5

The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 41.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Strategy Committee

As at 31 December 2023, the Strategy Committee consists of two executive Directors, two non-executive Directors and one independent non-executive Director, namely Mr. Zhang Junqi (Chairman), Mr. Xu Hongchao, Mr. Chen Shoulei, Mr. Ding Jianmin and Mr. Tian Jiahe.

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

During the year ended 31 December 2023, the Strategy Committee held two meetings.

Legal Affairs Committee

As at 31 December 2023, the Legal Affairs Committee consists of one executive Director, one non-executive Directors and three independent non-executive Directors, namely Mr. Zhang Junqi (Chairman), Mr. Chen Shoulei, Ms. Liu Xiuhong, Mr. Poon Chiu Kwok and Ms. Chen Jingshan.

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

During the year ended 31 December 2023, the Legal Affairs Committee held one meeting.

Science and Technology Innovation Committee

As at 31 December 2023, the Science and Technology Innovation Committee consists of three executive Directors and two independent non-executive Directors, namely Mr. Zhang Junqi (Chairman), Mr. Xu Hongchao, Mr. Fan Guomin, Mr. Tian Jiahe and Mr. Lu Chuang.

The principal duties of the Science and Technology Innovation Committee include conducting research on the direction of the Company's scientific and technological development, major new products research and development and innovation programs, providing advice and recommendations to the Board, and advising and supporting the Board in major decisions relating to science and technology and innovation.

During the year ended 31 December 2023, the Science and Technology Innovation Committee held one meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD OF SUPERVISORS

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

As at 31 December 2023, the Board of Supervisors comprised five Supervisors, namely Mr. Liu Zhonglin (Chairman), Mr. Zhao Nanfei, Mr. Zhang Guoping, Mr. Ma Fuxin and Ms. Peng Qihui. The biographical information of the Supervisors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 60 to 66 of this annual report.

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

The Board of Supervisors held five meetings during the year to consider and approve the interim and annual results announcement, the interim and annual report and other resolutions. The attendance records of the members of the Board of Supervisors are as follows:

Supervisors	Number of meetings attended
Mr. Liu Zhonglin	5/5
Mr. Zhao Nanfei	5/5
Mr. Zhang Guoping	5/5
Mr. Ma Fuxin	5/5
Ms. Peng Qihui	5/5

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems from the Listing Date to 31 December 2023.

The Board, as supported by the Audit and Risk Management Committee as well as the management report and the internal audit findings, conducted an annual review of the risk management and internal control systems, including the financial, operational and compliance controls, during the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, Supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Company has adopted a management system for the management of inside information and the registration of persons with knowledge of inside information, which includes the requirements of the registration of persons privy to inside information, the disclosure of inside information and the confidentiality of inside information. Pursuant to such system, the Board is responsible for managing inside information of the Company and verifying the truthfulness and accuracy of the information of the persons with possessing inside information. The chairman of the Board is primarily responsible for the registration and management of the persons privy to the inside information, the secretary to the Board/ the joint company secretary takes charge of the specific work involved in managing inside information and the office of the Board bears the responsibility for the day-to-day management, registration, disclosure and filing of the inside information of the Company. The Board of Supervisors shall supervise the implementation of the management system for registration of persons with access to inside information. The chairman of the Board and

CORPORATE GOVERNANCE REPORT (CONTINUED)

the secretary of the Board shall sign a written confirmation affirming the truthfulness, accuracy and completeness of the files of the persons possessing knowledge of the inside information. The Company shall disclose any inside information as soon as reasonably practicable after becoming aware of it. If the Company is unable to take effective measures to protect the confidentiality of such inside information, or if such inside information has been leaked, the Company shall immediately issue an announcement to disclose the details of such inside information, the contents of such announcement shall be accurate and complete and shall not be misleading or deceptive and shall not contain any material omissions. If the Company is unable to disclose details of such inside information in a timely manner, it should publish a clarification announcement outlining the pertinent events as detailed as possible and stating the reasons for not providing further details. If the Company is unable to make an announcement in relation to inside information, it should immediately apply to the Stock Exchange for a suspension of trading or a temporary suspension of trading until it is able to disclose the information. The Company strictly enforces the aforesaid system to ensure that the management and disclosure of inside information are in compliance with relevant laws, regulations and the Listing Rules.

The Company has an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management. The risk management and internal controls are self-assessed by the management and reviewed by the Board on an on-going basis.

The Company has in place the whistleblowing policy and has made channels of communication available to receive and deal with reports in accordance with the prescribed procedures, and allows employees of the Company and those who deal with the Group to raise concerns with the Department of Discipline Inspection and Supervision about possible improprieties in any matters related to the Company.

The Group has also in place the anti-corruption policy to safeguard against corruption and bribery within the Group. The Group has an internal reporting channel that is open and available for employees of the Group to report any suspected corruption and bribery. Employees can also make anonymous reports to the Department of Discipline Inspection and Supervision, which is responsible for investigating the reported incidents and taking appropriate measures. The Group continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

The Group has extensively carried out daily supervision and launched business inspections on organization and personnel, remuneration management, compliance management and safety management. A new South China Regional Supervision Center was set up in 2023, and so far, 33 subsidiaries have been included in the Southwest and South China Regional Supervision Network to carry out daily supervision in the region.

In 2023, the Group organized integrity culture activities for all employees, established a number of integrity culture demonstration bases, and compiled and published the “Integrity Practice Electronic Handbook” for all employees, which provided clear guidelines for all employees to standardize their behavior and practice integrity.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 107 to 111.

AUDITORS' REMUNERATION

The remuneration payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to RMB2.25 million, and RMB0.7 million is outstanding. An analysis of the remuneration paid to the external auditors of the Company, SHINEWING (HK) CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	**Fees Paid** **RMB**
Audit Services	**1,350,000**
Non-audit Services	**200,000**
Total	**1,550,000**

JOINT COMPANY SECRETARIES

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

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

For the year ended 31 December 2023, Mr. Gui Youquan and Ms. Kam Mei Ha Wendy have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT (CONTINUED)

GENERAL MEETING

In 2023, the Company convened two general meetings.

On 30 June 2023, the 2022 AGM was held on-site and Shareholders holding an aggregate of 247,876,324 Shares, representing 77.491646% of the Company's total issued shares, attended the meeting.

On 22 December 2023, an extraordinary general meeting of the Company was held on-site and Shareholders holding an aggregate of 263,476,131 Shares, representing 82.368492% of the Company's total issued shares, attended the meeting.

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

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

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

Convening a General Meeting

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) In the event that the Board of Directors refuses to convene the extraordinary general meeting, or gives no feedback within ten (10) days after receiving the proposal, the proposing shareholders shall have the right to propose, in written form, the convocation of an extraordinary general meeting to the Board of Supervisors.

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

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

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

For enquiries about shareholdings, Shareholders shall direct their enquiries to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited and the contact details are set out as follows:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Fax: (852) 2865 0990/(852) 2529 6087

CORPORATE GOVERNANCE REPORT (CONTINUED)

For enquiries about corporate governance or other matters to be brought to the attention of the Board, Shareholders shall send their written enquiries to the Company either via mail or email. The mail address and email address are set out in the subsection headed “Contact Details” below.

The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

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

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

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group’s business performance and strategies. Thus, the Company has adopted a Shareholders’ communication policy to ensure that the Shareholders and investors are provided with timely access to comprehensive, identical, pertinent and understandable information about the Company in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and investors to engage actively with the Company. Information in relation to the Group is disseminated to the Shareholders and investors in a timely manner through a number of communication channels, including interim and annual reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and the corporate communications and other corporate publications on the website of the Company. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGM and other general meetings. At the AGM, the Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries. The Company communicates with its Shareholders and investors in a timely, in-depth and extensive manner through holding results briefings, investor conferences, roadshows, on-site visits at the Company and such other activities. The Shareholders may send their enquiries and concerns to the Company by post, by phone, via email or by fax and such other means, and the relevant contact details are set out in the sections headed “Investors’ Enquiries”, “Putting Forward Enquiries to the Board” and “Contact Details” in this annual report and the Company’s website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

On 11 April 2023, CIRC held its a press conference for 2022 annual results in Hong Kong, which attracted a number of renowned domestic and international investment institutions to attend. CIRC attached great importance to this opportunity to communicate with investors and analysts on the spot. Mr. Wang Suohui, the chairman of the Board (resigned on 21 December 2023 due to change in work arrangement), Mr. Xu Hongchao, the executive Director and general manager, Mr. Du Jin, the executive Director and chief engineer (retired as executive Director on 22 December 2023 upon expiry of term of office), Mr. Gui Youquan, the chief financial officer, chief compliance officer and joint company secretary attended the press conference.

On 23 May 2023, CIRC and other listed companies under CNNC jointly launched a concentrated investor exchange season with the theme of "Gathering Value and Sharing the Future" (核聚價值，共享未來) to deepen investors' understanding of CIRC and its substantial Shareholders CNNC.

On 25 October 2023, CIRC held a press conference on the mass production of Tomo C, a new type of domestic double helix tomotherapy product, and took this opportunity to hold an investor exchange conference. The general manager of CIRC held an in-depth communication and exchange session with a total of 14 representatives of shareholders, capital market research institutes and industry analysts, which effectively disseminated the intrinsic value of the Company and strengthened the confidence of the investors, and had a positive significance in effectively enhancing the visibility and brand influence of CIRC in the capital market.

In 2023, the Company did not amend the Articles of Association.

Policies Related to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the year ended 31 December 2023 and the results were satisfactory.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Junqi (張軍旗), aged 52, is currently an executive Director, the chairman and secretary of the party committee of the Company. Before joining the Company, Mr. Zhang worked at Xi'an CNNC Nuclear Instrument Co., Ltd. (西安中核核儀器有限公司) from November 2017 to October 2021, and served as an executive director, secretary of the party committee and general manager from November 2017 to December 2020, served as the chairman, secretary of the party committee and general manager from April 2020 to December 2020, and served as the chairman and secretary of the party committee from December 2020 to October 2021. From October 2021 to August 2023, he served as the chairman and secretary of the party committee of Xi'an CNNC Nuclear Instrument Co., Ltd. (西安中核核儀器股份有限公司). Mr. Zhang has been serving as the secretary of the party committee of the Company since August 2023, and served as the chairman of the Company since December 2023. Mr. Zhang obtained a bachelor's degree in industrial analysis from the Department of Chemistry of Yan'an University in July 1995 and a master's degree in software engineering from Xidian University in June 2006. Mr. Zhang is a senior engineer.

Mr. Xu Hongchao (許紅超), aged 53, is currently an executive Director, general manager and deputy secretary of the party committee of the Company. Before joining the Company, from July 2016 to March 2018, he worked as the deputy general manager of CNNC Baoyuan Asset Holdings Limited (中國中核寶原資產控股有限公司). He served as the deputy general manager of China Baoyuan Investment Co., Ltd. (中國寶原投資有限公司) from March 2018 to May 2022. Mr. Xu has been serving as the deputy secretary of the party committee of the Company since May 2022, the general manager of the Company since July 2022 and an executive Director of the Company since September 2022. Mr. Xu obtained a bachelor's degree in industrial management engineering from Hengyang Institute of Technology, Faculty of Industrial Management Engineering in June 1993, and a master's degree in business administration from Tsinghua University in June 2001. Mr. Xu is a senior accountant.

Mr. Fan Guomin (范國民), aged 53, is currently an executive Director and deputy general manager of the Company. Before joining the Company, he served as the general manager of Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. from September 2012 to May 2016, has been serving as the deputy general manager of the Company since May 2016, and has been serving as the executive Director of the Company since November 2023. Mr. Fan received a Bachelor's Degree in Science (Radiochemistry) from College of Chemistry of Sichuan University (formerly known as Sichuan United University) in July 1995. Mr. Fan is a senior engineer.

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

NON-EXECUTIVE DIRECTORS

Mr. Chen Shoulei (陳首雷), aged 58, is currently a non-executive Director and vice chairman of the Company. Before joining the Company, from March 2016 to June 2021, he served as the chief accountant of Nuclear Power Institute of China (中國核動力研究設計院), served as chief accountant of CIAE from June 2021 to November 2023, served as a shareholder representative supervisor of the Company from February 2017 to March 2019, and has been a non-executive Director of the Company since June 2019. Mr. Chen obtained a bachelor's degree in auditing (accounting) from Wuhan University in July 1986. Mr. Chen is a senior accountant.

Mr. Ding Jianmin (丁建民), aged 51, is currently a non-executive Director of the Company. Before joining the Company, from July 2014 to November 2020, he served as the chief accountant of Sichuan Honghua Industry Limited (四川紅華實業有限公司). From December 2020 to December 2022, he served as the chief accountant of Southwestern Institute of Physics (核工業西南物理研究院). Since December 2022, he has been serving as the chief accountant of Nuclear Power Institute of China (中國核動力研究設計院). Mr. Ding has been a non-executive Director and the vice chairman of the Company since June 2023. Mr. Ding obtained a bachelor's degree in accounting from Southwestern University of Finance and Economics in December 2008. Mr. Ding is a senior accountant.

Ms. Chang Jinyu (常晉峪), aged 51, is a non-executive Director of the Company. Before joining the Company, from March 2014 to August 2019, she was the executive deputy general manager of Shanghai Road and Bridge Development Co., Ltd. (上海路橋發展有限公司). From August 2019 to March 2021, she served as the deputy general manager of Shanghai Galaxy Digital Investment Co., Ltd. (上海星河數碼投資有限公司). From March 2021 to June 2023, she served as the director and general manager of Shanghai Huning Expressway (Shanghai Section) Development Co., Ltd. (上海滬甯高速公路(上海段)發展有限公司). Since June 2023, she has been the general manager of Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司). Ms. Chang has been a non-executive Director of the Company since December 2019. In July 1994, Ms. Chang obtained a bachelor's degree in mechanical engineering from Shanghai Jiao Tong University and in June 2000, she obtained a master's degree in money and banking from Shanghai University of Finance and Economics.

Ms. Liu Xiuhong (劉修紅), aged 55, is currently a non-executive Director of the Company. Before joining the Company, from October 2014 to July 2018, Ms. Liu served as director of the audit division of China Nuclear Engineering and Construction Corporation (中國核工業建設集團公司). Since August 2018 to November 2019, she served as secretary and deputy director of the system engineering division of China National Nuclear Corporation (中國核工業集團有限公司). Since November 2019, she has been serving as specialised director of China National Nuclear Corporation. From May 2020 to February 2023, she served as a director of China National Nuclear Power Co., Ltd. (中國核能電力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 601985). Since July 2020, she has been a director of CNNC SUFA Technology Industry Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000777). She has served as a director of China Nuclear Energy Industry Corporation (中國原子能工業有限公司) since November 2022. Ms. Liu has been a non-executive Director of the Company since December 2020. Ms. Liu obtained a bachelor's degree in infrastructure finance and credit from the Department of Investment Economics of Dongbei University of Finance and Economics in July 1989 and a master's degree in business administration for senior management from the School of Economics and Management of Tsinghua University in June 2011. Ms. Liu is a senior accountant and a national accounting leader.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok (潘昭國), aged 61, is currently an independent non-executive Director of the Company and an executive director, vice president and company secretary of Huabao International Holdings Limited (listed on the Stock Exchange, stock code: 336). Before joining the Company, Mr. Poon served as an independent non-executive director of Changan Minsheng APLL Logistics Co., Ltd. (listed on the Stock Exchange, stock code: 1292) from 2011 to June 2023 and an independent non – executive director of Yuanda China Holdings Limited (listed on the Stock Exchange, stock code: 2789) from 2011 to September 2023. From 2017 to 2021, he served as an independent non-executive director of Honghua Group Limited (listed on the Stock Exchange, stock code: 196) and Tonly Electronics Holdings Limited (listed on the Stock Exchange, stock code: 1249, subsequently withdrawn listing with effect from 8 March 2021), respectively. He served as an independent non-executive director of Yankuang Energy Group Company Limited (formerly known as Yanzhou Coal Mining Company Limited, listed on the Stock Exchange, stock code: 1171) from 2017 to June 2023. Currently, Mr. Poon also serves as an independent non-executive director of the following public companies listed on Stock Exchange: Sunac China Holdings Limited (listed on the Stock Exchange, stock code: 1918), Sany Heavy Equipment International Holdings Company Limited (listed on the Stock Exchange, stock code: 631), AUX International Holdings Limited (listed on the Stock Exchange, stock code: 2080), Greentown Service Group Company Limited (listed on the Stock Exchange, stock code: 2869) and Jinchuan Group International Resources Co. Ltd (listed on the Stock Exchange, stock code: 2362). Mr. Poon has been serving as an independent non-executive Director of the Company since June 2023. Mr. Poon is a fellow member of CPA Australia Ltd., a fellow member of The Chartered Governance Institute and a fellow member and instructor of The Hong Kong Chartered Governance Institute (a member of its Mainland China Technical Consultation Panel, and the deputy chairman of the Board of Directors and a member of the Hong Kong Technical Consultation Panel), and a fellow member of Hong Kong Securities and Investment Institute. Mr. Poon obtained a bachelor's degree in business studies from City University of Hong Kong in December 1994 and a master's degree in international accounting in November 1997 respectively. He also obtained a bachelor's degree in laws from University of Wolverhampton in the United Kingdom in 2004 and a postgraduate diploma in laws from University of London in 2010.

Mr. Tian Jiahe (田嘉禾), aged 72, is an independent non-executive Director of the Company. Before joining the Company, from December 2017 to February 2021, Mr. Tian was a deputy chief of the professor board, member of the party committee and head of the medical imaging centre of The General Hospital of the People's Liberation Army (解放軍總醫院). Mr. Tian has been an independent non-executive Director of the Company since December 2019. In December 1975, Mr. Tian obtained a bachelor's degree in medicine from School of Radiology of the Medical School of Jilin University (吉林醫科大學), and in December 1980, he obtained a master's degree in Medicine from The University of New South Wales, Australia (澳大利亞新南威爾士大學).

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

Ms. Chen Jingshan (陳景善), aged 54, is an independent non-executive Director of the Company. Before joining the Company, Ms. Chen has been acting as a professor and doctoral supervisor in China University of Political Science and Law since September 2014. Ms. Chen currently also serves as an independent non-executive director of the following listed companies: Shengbang Electronics Co., Ltd. (聖邦電子股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300661), Joyvio Food Co., Ltd. (佳沃食品股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300268) and China National Gold & Jewellery Co., Ltd. (中國黃金集團黃金珠寶股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600916). Ms. Chen has been an independent non-executive Director of the Company since February 2021. Ms. Chen obtained a bachelor's degree in law profession from Law School of China University of Political Science and Law in July 1992, a master's degree in law profession in Law School of Waseda University in Japan in April 2002, and a PhD in law profession in Law School of Waseda University in Japan in November 2007.

Mr. Lu Chuang (盧闖), aged 43, is an independent non-executive Director of the Company. Before joining the Company, Mr. Lu has been acting as a professor and doctoral supervisor of the School of Accounting, Central University of Finance and Economics since November 2015. Mr. Lu currently also serves as an independent non-executive director of the following listed companies: Ourpalm Co., Ltd. (北京掌趣科技股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300315), Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600386) and Meihua Holdings Group Co., Ltd. (梅花生物科技集團股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600873). Mr. Lu has been an independent non-executive Director of the Company since February 2021. In June 2001, Mr. Lu obtained a bachelor's degree in specialisation of certified public accountants from the School of Accounting of Beijing Technology and Business University, a master's degree in accounting from the Department of Accounting of Renmin University of China in June 2004 and a PhD in financial management from the Department of Finance of Renmin University of China in June 2007.

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

SUPERVISORS

Chairman of the Board of Supervisors

Mr. Liu Zhonglin (劉忠林), aged 55, is currently a Supervisor and the chairman of the Board of Supervisors of the Company. From July 2015 to May 2021, Mr. Liu served as the chief accountant of China Institute of Atomic Energy (中國原子能科學研究院). Since May 2021, he has been a specialised director and supervisor of China National Nuclear Corporation (中國核工業集團有限公司). Since September 2021, he has been a director of CNNC No.7 Research and Design Institute Co., Ltd. (中核第七研究設計院有限公司). Since November 2021, he has been a director of China Nuclear Energy Technology Corporation Limited (中核能源科技有限公司). Mr. Liu has been a Supervisor of the Company from February 2017 to February 2021, a non-executive Director of the Company from February 2021 to July 2022 and a Supervisor and the chairman of the Board of Supervisors of the Company since September 2022. Mr. Liu received a bachelor's degree in financial accounting from Shenyang Institute of Technology in July 1990. Mr. Liu is a senior accountant at researcher level.

Supervisors

Mr. Zhao Nanfei (趙南飛), aged 45, is currently a Supervisor of the Company. From 2009 to 2018, Mr. Zhao acted as chief officer of Project Section of Industrial Development Division in China Institute of Atomic Energy. From 2018 to April 2021, he served as deputy chief of Industrial Development Division in China Institute of Atomic Energy. Since April 2021, he has served as the director of the Industrial Development Department in China Institute of Atomic Energy. Since February 2021, Mr. Zhao has been a Supervisor of the Company. Mr. Zhao obtained a bachelor's degree in materials physics profession from Beijing University of Science and Technology in 2001. Mr. Zhao is a senior engineer.

Mr. Zhang Guoping (張國平), aged 52, is currently a Supervisor of the Company. From October 2017 to November 2020, Mr. Zhang has been the deputy director of the asset operation and management office of Nuclear Power Institute of China (中國核動力研究設計院). He has been the deputy director of Business Development Division of Nuclear Power Institute of China since November 2020. Mr. Zhang has been the Supervisor of the Company since June 2019. Mr. Zhang obtained a bachelor's degree in thermal power engineering (電廠熱能動力工程) from Zhejiang University in July 1992. Mr. Zhang is a senior engineer.

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

Ms. Peng Qihui (彭啟慧), aged 31, is currently an employee representative Supervisor and deputy manager of corporate operations department (procurement management department) of the Company. Ms. Peng served as the head of the strategic planning department of the Company from June 2018 to March 2023. Ms. Peng served as the senior director of the corporate operation department (procurement management department) of the Company from March 2023 to April 2024. Ms. Peng has been the employee representative Supervisor of the Company since August 2022 and the deputy manager of the corporate operation department (procurement management department) of the Company since April 2024. Ms. Peng graduated from the University of Science and Technology Beijing with a bachelor's degree in engineering in June 2013, majoring in information security, and obtained a master's degree in engineering of engineering enterprise management from the Hong Kong University of Science and Technology in November 2014. Ms. Peng is a senior engineer.

Mr. Ma Fuxin (麻付新), aged 33, is currently an employee representative Supervisor and deputy manager of audit department (legal compliance department) of the Company. Mr. Ma served as an employee of the Company's legal affairs department from October 2017 to October 2019, served as the head of the Company's legal affairs department from October 2019 to January 2021, served as the senior director of the Company's legal affairs department from January 2021 to August 2022, and served as the senior director of audit department (legal compliance department) of the Company from August 2022 to April 2024. He has been the employee representative Supervisor since August 2022 and the deputy manger of the audit department (legal compliance department) of the Company since April 2024. Mr. Ma obtained a bachelor of arts degree in English (English-Japanese) from Nanchang University in July 2014 and a master of laws degree in Laws from China University of Political Science and Law in June 2017.

SENIOR MANAGEMENT

Mr. Xu Hongchao (許紅超), aged 53, is currently an executive Director, general manager and deputy secretary of the party committee of the Company. Please refer to the section above headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" for details of his biography.

Mr. Fan Guomin (范國民), aged 53, is currently an executive Director and deputy general manager of the Company. Please refer to the section above headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" for details of his biography.

Mr. Du Jin (杜進), aged 58, is currently the chief engineer of the Company. Before joining the Company, Mr. Du served as researcher, deputy chief engineer and technical development manager of the Company and its predecessor, China Isotope, from June 2006 to May 2016, has served as the chief engineer of the Company since May 2016, as an executive Director of the Company from February 2017 to December 2023. Mr. Du obtained a bachelor's degree in organic chemistry engineering from Wuhan Institute of Technology in July 1986, a master's degree in inorganic and analytical chemistry from University of Jyvaskyla in Finland in December 1998 and a doctorate in inorganic and analytical chemistry from University of Jyvaskyla in Finland in August 2001. Mr. Du is a researcher.

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

Mr. Gui Youquan (桂友泉), aged 49, is currently the chief accountant, chief legal officer, secretary of the board and joint company secretary of the Company. Before joining the Company, Mr. Gui served as chief accountant of Jiangsu Nuclear Power Corporation from July 2014 to February 2017, and as chief accountant of CNNC Medical Industry Management Company from February 2017 to November 2020. Mr. Gui has served as the Company's chief accountant and joint company secretary since November 2020. He has served as the secretary of the board of the Company since February 2021, served as the chief legal officer of the Company since March 2021, and served as the chief compliance officer of the Company since January 2023. Mr. Gui obtained a bachelor's degree in economics, specialising in auditing, from Xi'an Jiaotong University in July 1996, obtained a master's degree in accounting from the Renmin University of China in June 2004. Mr. Gui is a senior accountant, CPA, and ACCA.

Mr. Huang Li (黃立), aged 45, is currently the deputy general manager of the Company. Before joining the Company, Mr. Huang was the director of the Human Resources Division of China Institute of Atomic Energy from August 2017 to March 2019. From March 2019 to July 2020, Mr. Huang served as the deputy head (deputy bureau level) the Party Committee Inspection Team (黨組巡視組) of CNNC. From July 2020 to June 2022, he served as the secretary of the Discipline Inspection Committee of China Nuclear Industry Maintenance Co., Ltd. Mr. Huang has been the deputy general manager of the Company since July 2022. Mr. Huang obtained a bachelor's degree in applied chemistry from School of Water Resources and Hydropower Engineering in June 2000 and a master's degree in software engineering from Sichuan University in June 2015. Mr. Huang is a senior engineer.

Mr. Wang Guoqing (王國清), aged 49, is currently the deputy general manager of the Company. Before joining the Company, Mr. Wang served as the director of public relations section of the General Office of CNNC from July 2016 to September 2017. From September 2017 to August 2018, Mr. Wang served as the director in the secretarial section of the General Office of CNNC. From August 2018 to April 2021, Mr. Wang served as the director in the Secretarial I Section of General Office (Party Group Office/Board Office) of CNNC. From April 2021 to January 2023, Mr. Wang served as the secretary of the Discipline Inspection Committee of China North Nuclear Fuel Co., Ltd. Mr. Wang has been the deputy general manager of the Company since March 2023. Mr. Wang obtained a bachelor's degree in automatic control from Sichuan University in July 1997 and a master's degree in public administration from Zhejiang University in December 2006. Mr. Wang is a professorship senior engineer.

DIRECTORS' REPORT

1. PRINCIPAL BUSINESS

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

2. BUSINESS REVIEW

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

3. SUBSEQUENT EVENTS

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

4. FINANCIAL PERFORMANCE

The profits for the year ended 31 December 2023 of the Company and the financial position of the Company then ended are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" and the "Consolidated Statement of Financial Position" in this annual report, respectively.

5. MAJOR RISKS AND OUTLOOK

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

DIRECTORS' REPORT (CONTINUED)

6. DIVIDEND

The Board resolved to declare a final cash dividend of RMB0.3131 per Share (inclusive of tax) for the year ended 31 December 2023 (the "**2023 Final Dividend**") to Shareholders whose names appear on the register of members of the Company on 19 June 2024, with a total cash dividend to be distributed of RMB100,152,831.19 (inclusive of tax). The 2023 Final Dividend is expected to be declared and paid in RMB to holders of Domestic Shares and, whereas dividends payable to holders of H shares will be declared in RMB and payable in Hong Kong dollars before 6 August 2024. Exchange rate between RMB and Hong Kong dollar will be the arithmetic mean of the median of the exchange rates of Hong Kong dollars against RMB as quoted by the People's Bank of China 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. Details of the dividend distribution will be published after the AGM.

The Company will hold the AGM on Friday, 7 June 2024. The register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024 (both dates inclusive) and from Friday, 14 June 2024 to Wednesday, 19 June 2024 (both dates inclusive). Shareholders whose names appear on the register of members of the Company on Friday, 7 June 2024 will be entitled to attend and vote at the AGM. Shareholders whose names appear on the register of members of the Company on Wednesday, 19 June 2024 will be entitled to receive the 2023 Final Dividend. For the purpose of being qualified as Shareholders to attend and vote at the AGM, Shareholders must lodge all transfers documents 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 Monday, 3 June 2024. For the purpose of being qualified as Shareholders to receive the 2023 Final Dividend (subject to the approval by Shareholders at the AGM), Shareholders must lodge all transfers documents with the Company's H Share Registrar (see the address above) (for holders of H Shares) or the Company's registered office (see the address above) (for holders of Domestic Shares) for registration no later than 4:30 p.m. on Thursday, 13 June 2024.

According to the "Enterprise Income Tax Law of the People's Republic of China" and its implementing rules, which came into effect on 1 January 2008, and other relevant rules, the Company is required to withhold 10% enterprise income tax before distributing the proposed 2022 Final Dividend to non-resident enterprise Shareholders whose names appear on the register of members of the Company. Any H Shares registered in the name of non-individual registered Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise Shareholders and therefore will be subject to the withholding of enterprise income tax.

DIRECTORS' REPORT (CONTINUED)

According to the letter titled the "Tax arrangements on dividends paid to Hong Kong residents by mainland companies" issued by the Stock Exchange to the issuers on 4 July 2011 and a circular (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on 28 June 2011, and relevant laws and regulations, if individual holders of H Shares are residents of Hong Kong or Macau or countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will nonetheless withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. In such a case, if the relevant Shareholders would like a refund of the additional amount withheld, the Company will apply for the agreed preferential tax treatment provided that information required by the applicable tax treaty notice(s) is submitted to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If individual holders of H Shares are residents of countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or countries which have not entered into any tax treaty with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. The Company assumes no responsibility and will not entertain any claim arising from any delay in, or inaccurate determination of, the tax status or tax treatment of Shareholders or any dispute over tax(es) withheld. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax effects involved in their holding and disposal of H Shares.

7. PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment of the Company are set out in Note 12 to the "Financial Statements" in this annual report.

8. SHARE CAPITAL

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

On 6 July 2018, the Company issued 79,968,700 H Shares with par value of RMB1.00 per share at a price of HK$21.6 per share by way of initial public offering to Hong Kong and overseas investors. On 3 August 2018, the over-allotment option granted by the Company was partially exercised. The Company issued and allotted an aggregate of 100 H Shares at HK$21.6 each. After the issuance and allotment of these H Shares, the registered and issued ordinary Shares of the Company increased to 319,874,900 Shares.

9. RESERVES

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

DIRECTORS' REPORT (CONTINUED)

10. DISTRIBUTABLE RESERVES

As of 31 December 2023, we had RMB1,983.2 million in retained profits, as determined under IFRS, available for distribution.

11. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

12. MAJOR CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its employees, customers and suppliers so as to meet its current or long-term business goals. During the year ended 31 December 2023, there were no material and substantive disputes between the Group and its employees, customers and suppliers.

During the year ended 31 December 2023, revenue from our sales to the five largest customers of the Company accounted for approximately 1.0%, 0.9%, 0.9%, 0.8% and 0.7% of the total revenue of the Company, respectively, totally representing 4.3% of the total revenue of the Company. For the year ended 31 December 2023, the purchase amount from the five largest suppliers of the Company accounted for approximately 15.5%, 7.8%, 6.0%, 4.0% and 2.8% of the aggregate amount of goods procurement and subcontracting purchase and other costs of the Company, respectively, totally representing 36.1% of the total cost of the Company. None of the Shareholders (other than CNNC), which, to the best knowledge of the Company, own more than 5% of the share capital of the Company, the Directors or their close associates has any interest in the above five largest customers or five largest suppliers. The Company does not constitute a dependence on minority customers and suppliers.

13. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the major subsidiaries, joint ventures and associates of the Company for the year ended 31 December 2023 are set out in Notes 14, 16 and 15 to the "Financial Statements" in this annual report, respectively.

14. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors during the year ended 31 December 2023 and up to the date of this report are as follows:

Executive Directors

Mr. Wang Suohui *(Chairman of the Board) (resigned on 21 December 2023 due to change in work arrangement)*
Mr. Zhang Junqi *(Chairman of the Board) (appointed on 22 December 2023)*
Mr. Xu Hongchao
Mr. Du Jin *(retired on 22 December 2023 upon expiry of term of office)*
Mr. Fan Guomin *(appointed on 22 December 2023)*

DIRECTORS' REPORT (CONTINUED)

Non-executive Directors

Mr. Chen Shoulei
Mr. Dai Shuquan *(resigned on 30 June 2023 due to change in work arrangement)*
Mr. Ding Jianmin *(appointed on 30 June 2023)*
Ms. Chang Jinyu
Ms. Liu Xiuhong

Independent Non-executive Directors

Mr. Hui Wan Fai *(resigned on 30 June 2023 due to change in work arrangement)*
Mr. Poon Chiu Kwok *(appointed on 30 June 2023)*
Mr. Tian Jiahe
Ms. Chen Jingshan
Mr. Lu Chuang

The Supervisors during the year ended 31 December 2023 and up to the date of this report are as follows:

Mr. Liu Zhonglin *(Chairman)*
Mr. Zhang Guoping
Mr. Zhao Nanfei
Mr. Ma Fuxin
Ms. Peng Qihui

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

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

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

DIRECTORS' REPORT (CONTINUED)

16. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In 2023, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to Directors by the Company was RMB4.496 million.

In 2023, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to Supervisors by the Company was RMB1.088 million.

In 2023, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) paid to senior management by the Company was RMB3.500 million.

In 2023, the total amount of fees, salaries, allowances, discretionary bonuses, retirement scheme contributions and other benefits in kind (if applicable) received by five highest-paid individuals was RMB9.347 million.

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

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

According to our remuneration policies, the Remuneration and Appraisal Committee will take into account various factors in evaluating the remuneration amount payable to Directors, Supervisors and the relevant employees, including salaries paid by comparable companies, and the term, commitment, duties and performance of the Directors, Supervisors and senior management (as the case may be). In accordance with the arrangements currently in effect, the aggregate amounts of remuneration (excluding any discretionary bonus) paid by the Company to the Directors and Supervisors are approximately RMB3.917 million and RMB0.889 million for the year ended 31 December 2023, respectively.

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

As of 31 December 2023, none of the Company, controlling Shareholders of the Company or the companies under the same controlling Shareholders with the Company was a party to any arrangement to entitle the Company's Directors, Supervisors and senior management or their respective minor children to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (CONTINUED)

18. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of executive Director, non-executive Director and independent non-executive Director has entered into a service contract with the Company for a fixed term of three years commencing from the date of the approval for the relevant appointment at the general meeting of the Company. These service agreements may be terminated pursuant to their respective terms and may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

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

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

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

As of 31 December 2023, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors and chief executive of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register of interests referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

20. APPROVED INDEMNITY PROVISIONS

During the year ended 31 December 2023, the Company had arranged Directors', Supervisors' and officers' liability insurance for all Directors, Supervisors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Except for such insurances, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong) approved during the Reporting Period.

21. MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT (CONTINUED)

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

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

To the best knowledge of the Company, as of 31 December 2023, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our share capital:

Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares (%)	Approximate percentage of shareholding in the total share capital of our Company (%)
CNNC(1)	Domestic Shares	Interest of controlled corporation	236,150,233(L)	98.43(L)	73.83
CIAE(1)	Domestic Shares	Beneficial owner	58,534,835(L)	24.40(L)	18.30
NPIC(1)	Domestic Shares	Beneficial owner	46,994,835(L)	19.59(L)	14.69
CNNC Fund(1)	Domestic Shares	Beneficial owner	18,779,342(L)	7.83(L)	5.87
China Baoyuan(1)	Domestic Shares	Beneficial owner	108,085,353(L)	45.05(L)	33.79
Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") (2)	H Shares	Interest of controlled corporation	17,522,600(L)	21.91(L)	5.48
Shanghai Industrial Investment Treasury Company Limited(2)	H Shares	Interest of controlled corporation	9,516,600(L)	11.90(L)	2.98
Shanghai Investment Holdings Limited(2)	H Shares	Interest of controlled corporation	9,516,600(L)	11.90(L)	2.98
Shanghai Industrial Holdings Limited ("**SIHL**")(2)	H Shares	Interest of controlled corporation	9,516,600(L)	11.90(L)	2.98
S.I. Infrastructure (Holdings) Limited(2)	H Shares	Interest of controlled corporation	9,516,600(L)	11.90(L)	2.98
Sure Advance Holdings Limited ("**Sure Advance**")(2)	H Shares	Beneficial owner	9,516,600(L)	11.90(L)	2.98
SIIC Shanghai Holdings Co., Ltd. ("**SIIC Shanghai**")(2)	H Shares	Interest of controlled corporation	8,006,000(L)	10.01(L)	2.50
Shanghai Pharmaceuticals Holding Co., Ltd. ("**Shanghai Pharmaceuticals**")(2)	H Shares	Interest of controlled corporation	8,006,000(L)	10.01(L)	2.50
Shanghai Pharmaceuticals (HK) Investment Limited ("**SPH HK**")(2)	H Shares	Beneficial owner	8,006,000(L)	10.01(L)	2.50
Lianwen Ltd(3)	H Shares	Beneficial owner	14,309,800(L)	17.89(L)	4.47
Li Hongbo(3)	H Shares	Interest of controlled corporation	16,809,800(L)	21.02(L)	5.26
Serenity Capital Management, Ltd.(4)	H Shares	Investment manager	4,801,600(L)	6.00(L)	1.50
Serenity Investment Master Fund Limited(4)	H Shares	Beneficial owner	4,801,600(L)	6.00(L)	1.50
JP Morgan Chase & Co.	H Shares	Interest of controlled corporation	5,538,362(L)	6.92(L)	1.73
		Interest of controlled corporation	5,452,362(S)	6.81(S)	1.70
			0(P)	0(P)	0

DIRECTORS' REPORT (CONTINUED)

Notes:

1. Each of CIAE and NPIC is a public institute controlled and managed by CNNC and holds 58,534,835 domestic Shares and 46,994,835 domestic Shares, representing approximately 24.40% and 19.59% of the domestic share capital of our Company, respectively. CNNC Fund is a non-wholly-owned subsidiary of CNNC and holds 18,779,342 domestic Shares, representing approximately 7.83% of the domestic share capital of our Company. Each of 404 Company and China Baoyuan is a wholly-owned subsidiary of CNNC and holds 3,755,868 domestic Shares and 108,085,353 Domestic Shares, respectively, representing approximately 1.57% and 45.05% of the domestic share capital of our Company, respectively. By virtue of the SFO, CNNC is deemed to be interested in the domestic Shares held by CIAE, NPIC, CNNC Fund, 404 Company and China Baoyuan, which in aggregate representing approximately 98.43% of the domestic share capital of our Company.

2. By virtue of the SFO, SIIC is deemed to be interested in the 9,516,600 H Shares held by Sure Advance a controlled corporation of SIIC. SIIC holds 100% equity interest in Shanghai Industrial Investment Treasury Company Limited, while Shanghai Industrial Investment Treasury Company Limited directly holds 100% equity interest in Shanghai Investment Holdings Limited, which in turn holds approximately 55.13% equity interest in SIHL. SIHL directly holds 100% equity interest in S.I. Infrastructure (Holdings) Limited, which directly held 100% equity interest in Sure Advance.

   By virtue of the SFO, SIIC is deemed to be interested in the 8,006,000 H Shares held by SPH HK a controlled corporation of SIIC. SIIC holds 100% equity interest in SIIC Shanghai, while SIIC Shanghai directly holds approximately 35.56% equity interest in Shanghai Pharmaceuticals, which in turn directly holds approximately 100% equity interest in SPH HK.

3. Lianwen Ltd and Lianwen Holding Pte. Ltd are 100% controlled by Li Hongbo. By virtue of the SFO, Li Hongbo is deemed to be interested in the 14,309,800 H shares held by Lianwen Ltd and 2,500,000 H shares held by Lianwen Holding Pte. Ltd.

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

5. Of these 5,538,362 H Shares, 5,267,000 H Shares are held by JP Morgan Chase Bank, National Association, a direct wholly-owned subsidiary of JP Morgan Chase & Co. and 271,362 H Shares are held by J.P. Morgan Securities PLC, an indirect wholly-owned subsidiary of JP Morgan Chase & Co. Accordingly, by virtue of the SFO, JP Morgan Chase & Co. is deemed to be interested in the H Shares held by its aforementioned subsidiaries.

6. Of these 5,452,362 H Shares, 5,267,000 H Shares are held by JP Morgan Chase Bank, National Association, a direct wholly-owned subsidiary of JP Morgan Chase & Co. and 185,362 H Shares are held by J.P. Morgan Securities PLC, an indirect wholly-owned subsidiary of JP Morgan Chase & Co. Accordingly, by virtue of the SFO, JP Morgan Chase & Co. is deemed to be interested in the H Shares held by its aforementioned subsidiaries.

7. (L) represents long position, (S) represents short position and (P) represents lending pool.

Save as disclosed herein, as of 31 December 2023, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who has an interest or short position, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

DIRECTORS' REPORT (CONTINUED)

23. INTEREST OF DIRECTORS IN COMPETING BUSINESSES

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

24. COMPETING BUSINESSES

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

CNNC's Interests in Certain Excluded Entities

As of 31 December 2023, CNNC was entitled to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of the following entities carrying out business which competes, or is likely to compete, directly or indirectly with our principal businesses (the "**Excluded Entities**"):

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2023)	Principal business	Excluded business	Reason for exclusion
1	China Institute for Radiation Protection ("**CIRP**")	Not applicable, CIRP is a public institute directly controlled and managed by CNNC	Research, development and application in aspects of radiation protection, nuclear emergency and safety, radiological medicine and environmental medicine, nuclear environmental science, radioactive waste management and nuclear facility decommissioning, irradiation technology, environmental protection technology, nuclear electronic information technology, biological material technology, diagnosis and treatment of occupational disease and also provides technical support to national functional departments with respect to radiation protection and nuclear safety	Irradiation services	The excluded business involves non-operating state-owned assets, which is impractical to be isolated

DIRECTORS' REPORT (CONTINUED)

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2023)	Principal business	Excluded business	Reason for exclusion
2	CIAE	Not applicable, CIAE is a public institute directly controlled and managed by CNNC	Nuclear physics research, reactor engineering research and design, radiochemical research, fast reactor research and design, isotope research, nuclear technology application and research, radiation safety research	Radioactive sources and reactor irradiation services	The excluded business involves non-operating state-owned assets, which is impractical to be isolated
3	NPIC	Not applicable, NPIC is a public institute directly controlled and managed by CNNC	Nuclear power engineering design, integrated equipment supply of nuclear steam supply system, reactor operation and applied research, reactor engineering experimental research, nuclear fuel and materials research, isotope production and nuclear technology services and applications	Isotope, reactor irradiation services and sales of radioactive source-based instruments	The excluded business involves non-operating state-owned assets, which is impractical to be isolated
4	404 Company	100%	Nuclear research and production, uranium conversion, reprocessing of spent fuel, decommission of nuclear facilities and radioactive waste treatment and disposal	Radioactive sources and recycling of radioactive sources	404 Company is mainly engaged in the scientific research and production in the military industry, and the excluded business is not the principal business of 404 Company and is impractical to be isolated
5	China Nuclear Energy Industry Corporation ("**CNEIC**")	100%	Import and export trade of uranium products, nuclear fuel cycling equipment and nuclear power technologies and equipment	Import agency services for radioactive isotopes, radioactive therapeutic apparatus	CNEIC is an integrated platform for the import and export of nuclear power equipment of CNNC, the excluded business is not the principal business of CNEIC and is impractical to be isolated

DIRECTORS' REPORT (CONTINUED)

	Name of the Excluded Entities	Equity interest held by CNNC (as of 31 December 2023)	Principal business	Excluded business	Reason for exclusion
6	Yunke Pharm	47.89%	Technical research of radiopharmaceuticals, product development, production and sales, technical consultancy and technical services	Iodine-125 sealed source and Yunke injection	The controlling shareholder of Yunke Pharm is a listed company which is an Independent Third Party. CNNC has no control over its decision-making process
7	China Baoyuan	100%	Nuclide therapy services	Independently establishing hospitals to provide nuclide therapy services. However, CIRC can choose internal and external hospitals of CNNC according to the situation, with China Baoyuan (as the controlling shareholder) and CIRC (as other shareholder) operating cooperatively	CIRC does not have the capacity or resources to establish hospitals by itself

Production and Sale of the Raw Materials of Isotopes

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

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, neither our controlling Shareholder nor any of our Directors was, as of 31 December 2023, interested in any business which competes or is likely to compete, directly or indirectly, with the Group's principal business and would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Non-competition Undertaking

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

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

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

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

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

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

    (c) CNNC and its associates (excluding the Group) have not controlled the Board.

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

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

DIRECTORS' REPORT (CONTINUED)

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

25. CONNECTED TRANSACTIONS

Connected Persons

For the year ended 31 December 2023, the following entities with whom we have entered into certain transactions in our ordinary and usual business are our connected persons:

a. CNNC

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

b. CNNC Tongxing

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

c. Headway

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

*d. CNNC Finance Company Limited ("**CNNCFC**")*

CNNCFC was established on 21 July 1997 by CNNC and CNNC's 25 member units, with a registered capital of RMB8,771.64 million as of 31 December 2023. CNNCFC is a non-bank financial institution which strengthens the centralised management of fund within the CNNC group, improves the fund utilisation efficiency and the financial management services for CNNC groups' member units. The business scope includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services to members of the CNNC group; (ii) assisting members of the CNNC group in collection and payment of transaction funds; (iii) providing guarantees to members of the group; (iv) providing entrusted loan and entrusted investment services to members of the CNNC group; (v) providing bill acceptance and discount services to members of the CNNC group; (vi) processing the settlement of internal fund transfers among members of the CNNC group and providing solution plans for relevant settlement and clearing; (vii) taking deposits from members of the CNNC group; (viii) providing loan and finance leases to members of the CNNC group; (ix) conducting inter-borrowings among finance companies; (x) issuing corporate bonds; (xi) underwriting the corporate bonds issued by members of the CNNC group; (xii) equity investments in financial institutions; and (xiii) investments in negotiable securities.

DIRECTORS' REPORT (CONTINUED)

e. *CNNC Financial Leasing Co., Ltd. ("**CNNC Financial Leasing Company**")*

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

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

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

g. *CNNC Capital*

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

DIRECTORS' REPORT (CONTINUED)

*h. CNNC Nuclear Power Operation Management Co., Ltd. ("**CNNC Nuclear**")*

CNNC Nuclear Power Operation Management Co., Ltd. was established in September 2010, mainly engaged in nuclear power operation and management and related technical services. China National Nuclear Power Co., Ltd. holds 100% of its shares, while CNNC holds 64.11% shares of China National Nuclear Power Co., Ltd. Therefore, CNNC Nuclear Power Operation Management Co., Ltd. is a connected person of the Company.

i. CNNC Health

Founded in December 2018, CNNC Health's main businesses include but are not limited to medical investment, health care industry, high-end medical manufacturing and pharmaceutical distribution industry. China Baoyuan, a wholly-owned subsidiary of CNNC, holds approximately 45% equity interest in CNNC Health. As such, China Baoyuan and CNNC Health will constitute our connected persons under Chapter 14A of the Listing Rules.

j. China National Nuclear Corporation Dalian Institute of Applied Technology

China National Nuclear Corporation Dalian Institute of Applied Technology was established on 10 October 2019. Its business scope includes the construction, operation and decommissioning of nuclear power plants and sale of electricity; technical consultancy and technical services; logistics services, asset leasing, training, catering and accommodation. China National Nuclear Corporation Dalian Institute of Applied Technology is owned by CNNC. Therefore, China National Nuclear Corporation Dalian Institute of Applied Technology will constitute our connected person under Chapter 14A of the Listing Rules.

*k. Tongchuang Investment Partnership (Limited Partnership) ("**Tongchuang Investment**")*

Tongchuang Investment was established by the Company, Hynergy Industrial Funds and Tongxin Investment Partnership ("**Tongxin Investment**") on 31 October 2019. The total amount of contribution paid by the partners was RMB42.5 million, of which: Hynergy Industrial Funds contributed RMB25 million, accounting for 58.82%; the Company contributed RMB7.5 million, accounting for 17.65%; Tongxin Investment contributed RMB10 million, accounting for 23.53%. CNNC holds a 100% equity interest in CNNC Capital and CNNC Capital holds a 35% equity interest in Hynergy Industrial Funds. Therefore, CNNC Capital and Hynergy Industrial Funds and Tongchuang Investment will constitute our connected persons under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT (CONTINUED)

Connected Transactions in 2023

A. Non-exempt Continuing Connected Transactions undertaken during the Reporting Period

The property, equipment leasing and related services framework agreement with CNNC ("**2020 Leasing Agreement**") dated 30 November 2020, the Products and Services Supply Framework Agreement with CNNC (the "**2020 Supply Agreement**") dated 30 November 2020, the Products and Services Purchase Framework Agreement with CNNC (the "**2020 Purchase Agreement**") dated 30 November 2020, the Cobalt-60 Radioactive Sources Supply and Related Services Framework Agreement with CNNC Tongxing (the "**2020 Cobalt-60 Supply Agreement**") dated 30 November 2020, the consulting services fee framework agreement with CNNC Tongxing (the "**2020 Consulting Agreement**") dated 30 November 2020, the Carbon-14 Raw Materials Supply Framework Agreement with Headway (the "**2020 Carbon-14 Supply Agreement**") dated 30 November 2020, the Financial Services Framework Agreement with CNNC (the "**2020 Financial Services Agreement**") dated 22 April 2020 and the Engineering Construction Services Framework Agreement with CNNC ("**2022 Engineering Construction Services Agreement**") dated 23 December 2022 constitute continuing connected transactions of the Group. For details, please refer to the Company's announcements dated 30 November 2020, 10 December 2020, 19 April 2022, 29 July 2022, 13 December 2022 and the circular dated 23 August 2023.

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

DIRECTORS' REPORT (CONTINUED)

The annual caps and actual amount of continuing connected transactions incurred in 2023 are as follows:

		Annual caps for the year ended 31 December 2023 (RMB'000)	Actual amount incurred for the year ended 31 December 2023 (RMB'000)
1	Property & equipment leasing and related services	70,000	34,218
2	Products and services supply	120,000	114,305
3	Products and services purchase	190,000	150,168
4	Cobalt-60 radioactive sources supply and related services	90,000	69,146
5	Consulting services fee	25,000	19,443
6	Carbon-14 raw materials supply	24,000	14,839
7	Financial Services Agreement		
	• Deposit services		
	(a) Maximum daily outstanding balance	5,000,000	2,517,090
	(b) Interest income	50,000	27,195
	• Settlement, entrusted loans and other financial services		
	(a) Maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC	1,000,000	692,941
	(b) Service fees for settlement, entrusted loans and other financial services	75	22
	• Finance leasing services	250,000	10,037
	• Factoring services	1,000,000	–
8	Engineering construction services	800,000	391,677
	• Construction services	600,000	372,158
	• Equipment services	100,000	–
	• Consultation services	100,000	19,519

DIRECTORS' REPORT (CONTINUED)

1. **2020 Leasing Agreement**

Parties:	CNNC (the lessor and service provider); and the Company (the lessee and service recipient).
Principal Terms:	The Company entered into a leasing agreement with CNNC on 30 November 2020, pursuant to which we will rent or use a number of properties and equipment from CNNC and/or its associates, and CNNC and/or its associates will provide us with supporting services relating to the properties and equipment and other services. Such properties and equipment are mainly used for our production, operation and management, including but not limited to: (i) office buildings, land and office facilities; (ii) production plants (mainly used to produce technetium-99m labeled injections, fluorine-18-FDG injections and iodine-125 sealed source etc.); (iii) production facilities in relation to waste liquid and gas emissions and treatment services and others; (iv) production equipment (mainly high-power accelerator); (v) common areas and facilities (including kindergarten, water and electricity facilities and other facilities); and (vi) services associated with employee education, safety production and research and development of technologies. The term of the Leasing Agreement commenced on 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

2. **2020 Supply Agreement**

Parties:	CNNC (the purchaser); and the Company (the supplier).
Principal Terms:	The Company entered into a supply agreement with CNNC on 30 November 2020, pursuant to which CNNC and/or its associates would purchase the following products from the Group: radioactive source products, radioactive instruments and pharmaceuticals. The Group will also provide detection, recycling, transportation, reloading and other ancillary services related to the sales of such products and research and development services related to research and development projects. The term of the Supply Agreement commenced on the 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

DIRECTORS' REPORT (CONTINUED)

3. 2020 Purchase Agreement

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

Principal Terms: The Company entered into a purchase agreement with CNNC on 30 November 2020, pursuant to which CNNC and/or its associates will provide the Group: (i) various types of raw and auxiliary materials, production equipment and other products; (ii) transportation containers (including related design and manufacturing services); (iii) technical testing services; (iv) encapsulation and processing services of cobalt-60 radioactive sources; and (v) scientific research services related to high-end irradiation research and development. The term of the Purchase Agreement commenced on the 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

4. 2020 Cobalt-60 Supply Agreement

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

Principal Terms: The Company entered into a cobalt-60 supply agreement with CNNC Tongxing on 16 June 2018, pursuant to which the Group will purchase cobalt-60 radioactive sources from CNNC Tongxing and/or its associates, and CNNC Tongxing and/or its associates will provide related services such as transportation and reloading in connection with the sales of cobalt-60 radioactive sources. The term of the Cobalt-60 Supply Agreement commenced on the 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

Revised Annual Cap: The Board of the Company resolved on 29 April 2022 to amend the annual caps under the 2020 Cobalt-60 Supply Agreement for the year ending 31 December 2022 and for the year ending 31 December 2023.

5. 2020 Consulting Agreement

Parties: CNNC Tongxing (the service receiver); and the Company (the service provider).

Principal Terms: The Company entered into a consulting agreement with CNNC Tongxing on 16 June 2018, pursuant to which the Company will provide technical support and consulting services to CNNC Tongxing and/or its associates relating to the distribution channels and customer resources of cobalt-60 radioactive sources, and CNNC Tongxing and/or its associates will pay us consultation service fees. The term of the Consulting Agreement commenced on the 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed upon by both parties.

DIRECTORS' REPORT (CONTINUED)

6. 2020 Carbon-14 Supply Agreement

Parties: Headway (the purchaser); and the Company (the supplier).

Principal Terms: The Group entered into a carbon-14 supply agreement with Headway on 16 June 2018, pursuant to which the Group will provide Headway and/or its associates with carbon-14 as the raw materials for production of carbon-14 breath-testing medicine boxes. The Group will also provide ancillary services such as packaging and transportation relating to provision of the carbon-14 raw materials. The term of the Carbon-14 Raw Materials Supply Agreement commenced on the 1 January 2021 and will expire on 31 December 2023, subject to renewal as may be agreed on by both parties.

7. 2020 Financial Services Agreement

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

Principal Terms: The Company renewed the Financial Services Agreement with CNNC on 28 June 2019, pursuant to which CNNC and/or its associates will provide the Group with, among other things, (i) deposits and related services (the "**Deposit Services**"); (ii) entrusted loan, settlement, foreign exchange and other services (the "**Settlement, Entrusted Loan and Other Financial Services**"); and (iii) financial leasing service (the "**Financial Leasing Service**") for certain assets used in the operation of the Group. The 2020 Financial Services Agreement commenced on 30 June 2020, and expired on the date of 2022 AGM of the Company convened in early 2023.

Revised Annual Cap: The Board the Company resolved on 29 July 2022 to propose an amendment to the annual cap of maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC under the 2020 Financial Services Agreement for the period commencing from the date of the 2021 AGM of the Company to the date of the 2022 AGM of the Company. This resolution was passed at the EGM held on 16 September 2022.

DIRECTORS' REPORT (CONTINUED)

8. **2022 Engineering Construction Services Agreement**

Parties: CNNC (the supplier); and the Company (the purchaser).

Principal Terms: The Company and CNNC agreed that CNNC and/or its associates will provide engineering construction services to the Company and its subsidiaries according to the Engineering Construction Services Framework Agreement and on normal commercial terms, including: (i) EPC services and construction services; (ii) equipment procurement, manufacturing and installation services; and (iii) engineering consultation services such as engineering consultation, management and supervision services and survey and design services.

Revised Annual Cap: The Board of the Company resolved on 30 March 2023 to amend the annual caps under the 2020 Engineering Construction Services Agreement for the year ending 31 December 2023, and such amendment was considered and approved by the Company at its AGM held on 30 June 2023.

B. Non-exempt Continuing Connected Transactions entered into during the Reporting Period

The Financial Services Framework Agreement with CNNC ("**2023 Financial Services Agreement**") dated 30 March 2023, the Products and Services Supply Framework Agreement with CNNC (the "**2023 Supply Agreement**") dated 31 October 2023, the Products and Services Purchase Framework Agreement with CNNC (the "**2023 Purchase Agreement**") dated 31 October 2023, the property, equipment leasing and related services framework agreement with CNNC (the "**2023 Leasing Agreement**") dated 31 October 2023, the Carbon-14 Raw Materials Supply Framework Agreement with Headway (the "**2023 Carbon-14 Supply Agreement**") dated 31 October 2023, the Cobalt-60 Radioactive Sources Purchase and Related Services Framework Agreement with CNNC Tongxing (the "**2023 Cobalt-60 Purchase Agreement**") dated 31 October 2023, the consulting services fee framework agreement with CNNC Tongxing (the "**2023 Consulting Agreement**") dated 31 October 2023, and the Engineering Construction Services Framework Agreement with CNNC ("**2023 Engineering Construction Services Agreement**") dated 31 October 2023 constitute continuing connected transactions of the Group. For details, please refer to the Company's announcement dated 31 October 2023 and the circular dated 6 December 2023.

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

DIRECTORS' REPORT (CONTINUED)

1. 2023 Financial Services Agreement

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

Principal Terms: The Company will enter into the 2023 Financial Services Agreement with CNNC, pursuant to which CNNC and/or its associates will provide the Group with, among other things, (i) deposit services; (ii) settlement, entrusted loan and other financial services; (iii) financial leasing service for certain assets used in the operation of the Group; and (iv) factoring services.

Proposed Annual Caps: For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Financial Services Agreement are set forth below respectively:

	Propose annual caps for the period from 1 July 2023 to 31 December 2023 (RMB'000)	Propose annual caps for the year ending 31 December 2024 (RMB'000)	Propose annual caps for the year ending 31 December 2025 (RMB'000)
Renewed Financial Services Agreement			
• Deposits services			
(a) Maximum daily outstanding balance	5,000,000	5,000,000	5,000,000
(b) Interest income	50,000	100,000	100,000
• Settlement, entrusted loans and other financial services			
(a) Maximum daily outstanding balance of entrusted loans provided by our Group through CNNCFC	1,000,000	1,000,000	1,000,000
(b) Service fees for settlement, entrusted loans and other financial services	75	150	150
• Finance leasing services	250,000	250,000	250,000
• Factoring services	1,000,000	1,000,000	1,000,000

DIRECTORS' REPORT (CONTINUED)

2. **2023 Supply Agreement**

Parties:	CNNC (the purchaser); and the Company (the supplier)
Principal Terms:	The Company entered into the 2023 Supply Agreement with CNNC on 31 October 2023, pursuant to which CNNC and/or its associates (excluding the Group) will purchase from the Group and the Group will provide CNNC and/or its associates (excluding the Group) with the following products: radioactive source products, radioactive instruments and pharmaceuticals and other products, and will provide detection, recycling, transportation and reloading services related to the sales of such products, research and development services related to research and development projects and other services.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Supply Agreement are RMB150 million and RMB170 million, respectively.

3. **2023 Purchase Agreement**

Parties:	The Company (the purchaser); and CNNC (the supplier)
Principal Terms:	The Company entered into the 2023 Purchase Agreement with CNNC on 31 October 2023, pursuant to which the Group will purchase from CNNC and/or its associates (excluding the Group) and CNNC and/or its associates will provide the Group (excluding the Group) with: (i) various types of raw and auxiliary materials, production equipment and other products; (ii) products such as transportation containers (including design and manufacturing services of transportation containers); (iii) technical testing services; (iv) encapsulation and processing services of cobalt-60 radioactive sources; (v) scientific research services related to high-end irradiation research and development and (vi) other services.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Purchase Agreement are RMB150 million and RMB150 million, respectively.

DIRECTORS' REPORT (CONTINUED)

4. 2023 Leasing Agreement

Parties:	CNNC (the lessor and service provider); and the Company (the lessee and service recipient)
Principal Terms:	The Company entered into the 2023 Leasing Agreement with CNNC on 31 October 2023, pursuant to which the Group will rent or use a number of properties and equipment from CNNC and/or its associates (excluding the Group), and CNNC and/or its associates (excluding the Group) will provide the supporting services relating to the properties and equipment. Such properties and equipment are mainly used for production, operation and office purposes, including but not limited to: (i) office buildings, land and office facilities; (ii) production plants (mainly used to produce technetium labeled injections, fluorine-18-FDG injections and iodine-125 sealed source); (iii) production facilities in relation to waste liquid and gas emissions and treatment services and others; (iv) production equipment (mainly high-power accelerator); (v) common areas and facilities (including kindergarten, water and electricity facilities and other facilities); and (vi) services associated with employee education, safety production and research and development of technologies.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Leasing Agreement are RMB80 million and RMB80 million, respectively.

5. 2023 Carbon-14 Supply Agreement

Parties:	Headway (the purchaser); and the Company (the supplier)
Principal Terms:	The Group entered into the 2023 Carbon-14 Supply Agreement with Headway on 31 October 2023, pursuant to which the Group will provide Headway and/or its associates (excluding the Group) with carbon-14 as the raw materials for production of carbon-14 breath-testing medicine boxes as well as other products, and provide services such as packaging and transportation in connection with the sales of such products as well as other services.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Carbon-14 Supply Agreement are RMB30 million and RMB30 million, respectively.

DIRECTORS' REPORT (CONTINUED)

6. **2023 Cobalt-60 Purchase Agreement**

Parties:	The Company (the purchaser); and CNNC Tongxing (the supplier)
Principal Terms:	The Company entered into the 2023 Cobalt-60 Purchase Agreement with CNNC Tongxing on 31 October 2023, pursuant to which the Group will purchase from CNNC Tongxing and its subsidiaries, and CNNC Tongxing and its subsidiaries will provide the Group with products such as cobalt-60 radioactive sources, and provide related services such as transportation and reloading in connection with the cobalt-60 radioactive sources as well as other services.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Cobalt-60 Purchase Agreement are RMB70 million and RMB70 million, respectively.

7. **2023 Consulting Agreement**

Parties:	CNNC Tongxing (the service receiver); and the Company (the service provider)
Principal Terms:	The Company entered into the 2023 Consulting Agreement with CNNC Tongxing on 31 October 2023, pursuant to which the Company will provide CNNC Tongxing and/or its associates with technical support and consulting services relating to the marketing channels and customer resources of cobalt-60 radioactive sources as well as other services, and therefore CNNC Tongxing and its associates will pay the Company consultation service fees. CNNC Tongxing and the Company have agreed that their respective members of the group will pay consultation service fees in accordance with the terms as agreed in the 2023 Consulting Agreement.
Proposed Annual Caps:	For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Consulting Agreement are RMB25 million and RMB25 million, respectively.

DIRECTORS' REPORT (CONTINUED)

8. 2023 Engineering Construction Services Agreement

Parties: CNNC Tongxing (service recipient); and the Company (service provider)

Principal Terms: The Company entered into the renewed engineering construction services framework agreement with CNNC on 31 October 2023, pursuant to which CNNC and its associates (excluding the Group) will provide the members of the Group with: (i) EPC services and construction services ("**Construction Services**"); (ii) equipment procurement, manufacturing and installation services ("**Equipment Services**"); and (iii) engineering consultation services including, but not limited to, engineering consultation, management and supervision services and survey and design services ("**Consultation Services**")

Proposed Annual Caps: For each of the two years ending 31 December 2025, the proposed annual caps of 2023 Engineering Construction Services Agreement are set forth below respectively:

Nature of transaction	Annual cap for the year ending 31 December 2024 (RMB'000)	Annual cap for the year ending 31 December 2025 (RMB'000)
Construction Services	450,000	350,000
Equipment Services	50,000	150,000
Consultation Services	50,000	50,000

DIRECTORS' REPORT (CONTINUED)

C. Non-exempt Discontinued Connected Transactions

1. Amendment to the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement

On 30 March 2023, the Board of the Company approved the amendment to several terms of the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement by the Company with Tongchuang Investment, CNNC Capital, Beijing Science & Technology Innovation Fund (Limited Partnership) ("**BSIF**"), National Junmin Integration Industry Investment Fund Co., Ltd. and Beijing Daxing Development Guidance Fund (Limited Partnership) ("**Daxing Fund**"). Such terms include amount of contribution, method of contribution, investment region, valid duration, investment period, exit period and extension period, implementation of partnership affairs, management fees, distribution, investment decision committee, investment project observers, consultation committee, and key person provisions. BSIF, the limited partner of Tongfu Fund, and Daxing Fund requested to Tongchuang Investment, in its capacity of the general partner and executive business partner, for their exit, respectively. Therefore, the parties decided to amend the Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) Partnership Agreement. For details, please refer to the Company's announcement dated 30 March 2023 and the circular dated 15 May 2023.

DIRECTORS' REPORT (CONTINUED)

2. **Waiving the exercise of pre-emptive right in the capital increase of CNNC Financial Leasing Company**

On 31 August 2023, the Company, CNNC Capital, China National Nuclear Power Co., Ltd. ("**China Nuclear Power**"), Xinhua Hydropower Company Limited ("**Xinhua Hydropower**"), CNNC International (HK) Limited ("**CNNC International HK**"), China He Investment (Hong Kong) Company Limited ("**China He Investment Hong Kong**"), China Nuclear Uranium Co., Ltd. ("**China Nuclear Uranium**"), CNNC Overseas International Investment Limited ("**CNNC International**"), China National Nuclear Corporation Overseas Ltd. ("**China National Nuclear**"), China Nuclear Power Engineering Co., Ltd. ("**China Nuclear Engineering**"), Shanghai National Nuclear Puyuan Corp. ("**National Nuclear Puyuan**"), China Nuclear Energy Industry Corp. ("**China Nuclear Energy**"), CNNP Rich Energy Co., Ltd. ("**CNNP Rich Energy**", together with CNNC International HK, China He Investment Hong Kong, China Nuclear Uranium, CNNC International, China National Nuclear, China Nuclear Engineering, National Nuclear Puyuan and China Nuclear Energy collectively referred to as the "**Other Shareholders**") and CNNC Financial Leasing Company entered into a capital increase agreement, pursuant to which, CNNC Financial Leasing Company intends to increase its capital by RMB1.8 billion, of which, RMB1.0 billion will be contributed by CNNC Capital, RMB0.5 billion will be contributed by China Nuclear Power, RMB0.3 billion will be contributed by Xinhua Hydropower, and the Company as well as the Other Shareholders will not make capital contribution. Upon the completion of the capital increase, the registered capital of CNNC Financial Leasing Company will be increased from RMB3,247,526,100 to RMB4,885,253,300 and the remaining RMB162,272,800 will be recognized in the capital reserves of CNNC Financial Leasing Company. Upon the completion of the capital increase, the Company, CNNC Capital, China Nuclear Power, Xinhua Hydropower and the Other Shareholders will own as to approximately 1.64%, 51.02%, 13.61%, 7.76% and 25.97% equity interests in CNNC Financial Leasing Company, respectively. Because the Company is not engaged in financial investment, in order to further return to its main business, the Company has resolved to waive the exercise of the pre-emptive right in the capital increase of CNNC Financial Leasing Company. For details, please refer to the Company's announcement dated 31 August 2023.

DIRECTORS' REPORT (CONTINUED)

3. Capital increase in CNNCFC

On 23 November 2023, the Company and CNNCFC entered into the capital increase agreement, pursuant to which CNNCFC will convert its undistributed profits of RMB4,385.82 million to its registered capital in favour of all its shareholders in proportion to their respective shareholdings, by way of which, the Company has agreed to make capital contribution of RMB14.08 million thereof to CNNCFC. Upon the completion of the Capital Increase, the total capital contribution made by the Company to CNNCFC shall be RMB28.16 million, and the shareholding of the Company in the registered capital of CNNCFC will remain unchanged at 0.321%. For the purpose of the Capital Increase, CNNCFC has entered into or proposes to enter into the capital increase agreement with all its shareholders, respectively, and such agreements are identical in all material aspects. Following the increase in the CNNCFC's registered capital (paid-in capital), CNNCFC may apply to the National Interbank Lending Center for an increase in its upper limit for inter-borrowings among finance companies, satisfying the emergency management need for short-term liquidity to a greater extent. The upper limit of the fluctuation in deposits can also be increased, which further ensures that the business development of CNNCFC is conducted in compliance with the relevant requirements. For details, please refer to the Company's announcement dated 23 November 2023.

4. Disposal of 100% equity interest in BNIBT to CNNC Health

On 23 November 2023, the Company (as the transferor) and CNNC Health (as the transferee) entered into the equity transfer agreement, pursuant to which the Company agreed to sell and CNNC Health agreed to acquire 100% equity interest held by the Company in BNIBT for a consideration of RMB260,115,800. Upon completion of the disposal, the Company will cease to hold any equity interest in BNIBT and BNIBT will no longer be accounted for as a subsidiary of the Group and its financial results would no longer be consolidated into the consolidated financial statements of the Group. The disposal revitalises BNIBT's existing assets, provides industry synergy and empowerment, and injects vitality to its development through the use of capital means. The disposal is beneficial to the Group and will not have any adverse impact on the business and financial performance of the Group. For details, please refer to the Company's announcements dated 8 September 2023, 23 October 2023 and 23 November 2023 and the circular dated 6 December 2023.

DIRECTORS' REPORT (CONTINUED)

5. **Acquisition of 100% equity interest in Dalian CNNC Radiation**

On 28 December 2023, the Company (as the transferee), China National Nuclear Corporation Dalian Institute of Applied Technology (as the transferor) and Dalian CNNC Radiation (as the target company) entered into the equity transfer agreement, pursuant to which, the Company agreed to acquire and China National Nuclear Corporation Dalian Institute of Applied Technology agreed to sell 100% equity interest held by it in Dalian CNNC Radiation for a consideration of RMB4,610,500. Upon completion of the equity transfer, the Company will hold 100% equity interest in Dalian CNNC Radiation and Dalian CNNC Radiation will be accounted for as a subsidiary of the Group and its financial results would be consolidated into the consolidated financial statements of the Group. The acquisition of Dalian CNNC Radiation will enable the Company to rapidly expand its business scale, obtain local customer resources, and finally become a service provider covering the entire irradiation sterilisation industry chain and catering to the national market. For details, please refer to the Company's announcement dated 28 December 2023.

The related party transactions were disclosed in Note 37 of the financial statements for the year 2023 prepared by the Company under the IFRS. According to the Listing Rules, all of the related party transactions disclosed in Note 37 constituted connected transactions under the Listing Rules and were required to be disclosed in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of disclosure of the above connected transactions.

DIRECTORS' REPORT (CONTINUED)

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2023 and confirmed that such transactions were entered into:

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

(ii) on normal commercial terms or better and in the interests of the Shareholders of the Company as a whole; and

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

Confirmation from the Independent Auditor

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

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

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

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

(4) have not exceeded the relevant annual cap as disclosed in the Prospectus.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 83 to 93 of this annual report in accordance with rule 14A.56 of the Listing Rules.

DIRECTORS' REPORT (CONTINUED)

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

27. EQUITY-LINKED AGREEMENT

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

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

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

29. BANK BORROWINGS

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

30. REMUNERATION AND EQUITY-INCENTIVE POLICY

The review of the Group's employee and remuneration policy is set out in the section headed "Management Discussion and Analysis" in this annual report.

31. EMPLOYEE RETIREMENT BENEFITS

Details of the employee retirement benefits of the Company are set out in Note 28 to the "Financial Statements" in this annual report.

32. DONATIONS

In 2023, the Group actively implemented the strategy of Healthy China and contributed to the implementation of the development strategy of "One County, One Department" by donating RMB1.5 million to establish the CIRC Smart Nuclear Medicine Special Fund in conjunction with the Wu Jieping Medical Foundation. The Group made a donation of RMB200,000 in total to Zhuozhou flooded area through HTA for supporting the local flood relief and post-disaster reconstruction work. The Group also donated RMB100,000 to Baihe County to support the rural revitalization and development. CNGT donated rural revitalization funds of RMB50,000 to Yajiang County of Ganzi Prefecture, and donated about RMB15,000 to Mucheng Town for landscaping trees in the village. Anhui Young-Hearty donated RMB18,200 to Youth Concern Committee of Tongcheng City for the living and learning supplies for the left-behind children, and donated RMB5,000 to Longteng Street for the education fund.

The Group actively carried out the procurement and supporting activities for the rural revitalization, and purchased rural revitalization products of RMB239,500 from Shizhu, Tongxin and Baihe County as holiday condolences for employees and office supplies.

DIRECTORS' REPORT (CONTINUED)

33. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

34. INDEPENDENT AUDITOR

As resolved at the first extraordinary general meeting of 2022 of the Company held on 16 September 2022, KPMG was not re-appointed as international auditor of the Company and SHINEWING (HK) CPA Limited was appointed as its international auditor for 2022, to provide relevant overseas audit and review services under IFRSs. Save as disclosed above, the Company did not change auditor in the last three years. The resolutions regarding re-appointment of auditors of the Company for the 2024 financial report will be proposed at the forthcoming AGM for consideration and approval.

35. COMPLIANCE WITH RELEVANT LAWS

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

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

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

DIRECTORS' REPORT (CONTINUED)

36. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilisation of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, including using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in. Discussion on the environmental policies and performance of the Group is set out in the "Environmental, Social and Governance Report" for 2023.

37. COMPLIANCE WITH THE OFAC UNDERTAKINGS

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

38. PUBLIC FLOAT

As of the Latest Practicable Date, the Shares of the Company held by the public accounted for 25% of the total Shares of the Company, which complied with the requirements of the Listing Rules as the capital structure of the Company maintained sufficient public float.

39. REVIEW OF ANNUAL REPORT

The Audit and Risk Management Committee of the Company has reviewed the Company's annual results of 2023, and the financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards.

DIRECTORS' REPORT (CONTINUED)

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

40.1 Individual investors

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

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

DIRECTORS' REPORT (CONTINUED)

40.2 Enterprise

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

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

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

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

By order of the Board of Directors
Zhang Junqi
Chairman of the Board
27 March 2024

SUPERVISORS' REPORT

1. BASIC COMPOSITION OF THE BOARD OF SUPERVISORS

1.1 Basic information

As of 31 December 2023, the Board of Supervisors consists of five members, namely Mr. Liu Zhonglin, Mr. Zhao Nanfei, Mr. Zhang Guoping, Mr. Ma Fuxin and Ms. Peng Qihui, among whom Mr. Liu Zhonglin is the chairman of the Board of Supervisors, Mr. Ma Fuxin and Ms. Peng Qihui are employee representative Supervisors. The term of office of Supervisors is three years. Supervisors can be re-appointed upon re-election after the term of office expires.

1.2 Changes in Supervisors

The Company held an employee meeting on 10 November 2023 and elected Mr. Ma Fuxin and Ms. Peng Qihui as the employee representative Supervisors of the fourth session of the Board of Supervisors of the Company. On 22 December 2023, the first extraordinary general meeting of CIRC approved the resolution of electing the fourth session of the Board of Supervisors, and there was no change in the Supervisors.

2. MEETINGS OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors convened five meetings. The convening, holding and voting procedures of the meetings and the contents of the resolutions are in compliance with the laws and regulations and the Articles of Association. The details of the meetings are as follows:

1. The first meeting of the third session of the Board of Supervisors for 2023 was held on 29 March 2023. Mr. Liu Zhonglin, the chairman of the Board of Supervisors, served as the convener. Fifteen resolutions were considered and approved at the meeting, which were the 2022 Work Report of the Board of Supervisors of CIRC, the Appointment of Domestic Auditor, the Appointment of International Auditor, the 2022 Final Accounts of the Company, the Proposed Declaration and Distribution of Final Dividend for the Year Ended 31 December 2022, the 2023 Investment Plan, the 2023 Financial Budget Plan of the Company, Increasing the Annual Caps for Continuing Connected Transactions for Engineering Construction, Entering into the Financial Services Agreement with CNNC, the 2022 Annual Results Announcement of China Isotope & Radiation Corporation, the 2022 Annual Report of China Isotope & Radiation Corporation, the 2022 Work Report of the Internal Control System of CIRC, the 2022 Annual Report on Comprehensive Risk Management of CIRC, the 2022 Work Report of the Internal Audit of CIRC and the Amendment to the Tongfu Innovation Industrial Investment Fund Partnership Agreement.

2. The second meeting of the third session of the Board of Supervisors for 2023 was held on 25 August 2023. Mr. Liu Zhonglin, the chairman of the Board of Supervisors, served as the convener. Three resolutions were considered and approved at the meeting, which were the Appointment of Domestic Auditor for 2023, the 2023 Interim Results Announcement of CIRC and the 2023 Interim Report of CIRC.

SUPERVISORS' REPORT (CONTINUED)

3. The third meeting of the third session of the Board of Supervisors for 2023 was held on 12 October 2023. Mr. Liu Zhonglin, the chairman of the Board of Supervisors, served as the convener. Three resolutions were considered and approved at the meeting, which were the Public Transfer of 100% Equity Interest Held by CIRC in Beijing North Institute of Biotechnology Co., Ltd and Related Plan, Renewal of 7 Continuing Connected Transaction Agreements and General Election of the Board of Supervisors and Nomination of Candidates for Supervisors of the Fourth Session of the Board of Supervisors.

4. The fourth meeting of the third session of the Board of Supervisors for 2023 was held on 16 November 2023. Mr. Liu Zhonglin, the chairman of the Board of Supervisors, served as the convener. A resolution was considered and approved at the meeting, which was the Capital Increase in CNNC Finance Company Limited for 2023.

5. The first meeting of the fourth session of the Board of Supervisors for 2023 was held on 22 December 2023. Mr. Liu Zhonglin, the chairman of the Board of Supervisors, served as the convener. Three resolutions were considered and approved at the meeting, which were the Election of the Chairman of the Fourth Session of the Board of Supervisors, the Acquisition of the 100% Equity Interest in Dalian CNNC Radiation Technology Co., Ltd. and the Amendment to Measures for Internal Audit Work of China Isotope & Radiation Corporation.

3. BOARD OF SUPERVISORS' PRESENCE ON OTHER MEETINGS

In 2023, the Supervisors of the Company attended six Board meetings, the 2022 AGM and the first 2023 extraordinary general meeting.

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

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

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

5.1 Independent opinions on the financial position of the Company

The financial report of the year is prepared in accordance with International Financial Reporting Standards with sound internal control system on financial and audit aspects and no material omission or false statement in the accounting, and has been audited by SHINEWING (HK) CPA Limited, which reflected the financial position and operation results of the Company in a true and objective manner.

SUPERVISORS' REPORT (CONTINUED)

5.2 Independent opinions on disclosure of information by the Company

During the Reporting Period, the Board of Supervisors attended the general meeting and the Board meeting and listened to the report about information disclosure. The Board of Supervisors believed that the information disclosure procedures were in compliance with the Administrative Measures on Information Disclosure of CIRC《中國同輻信息披露管理辦法》and complied with the regulatory requirements of the Stock Exchange.

5.3 Independent opinions on the connected transactions of the Company

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

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

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

6. WORKING PLAN

In 2024, the Board of Supervisors will strictly comply with the relevant requirements under the Company Law, Securities Law of the PRC, Listing Rules and Articles of Association to further perfect the corporate governance structure of the Company as a legal person and improve the standard of corporate governance. The Board of Supervisors will continually strengthen the implementation of supervision and conduct effective supervision with focus on procuring the implementation of the resolutions passed at the general meeting and the Board meeting, major operational decisions of the Company and financial inspection. It will step up its efforts in supervision of major acquisition of assets, external investment, management and use of proceeds and disclosure of information so as to better safeguard the interests of Shareholders.

By order of the Board of Supervisors
Liu Zhonglin
Chairman of the Board of Supervisors
27 March 2024

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF CHINA ISOTOPE & RADIATION CORPORATION

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

OPINION

We have audited the consolidated financial statements of China Isotope & Radiation Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 112 to 231, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition	
Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(x).	
The key audit matter	**How the matter was addressed in our audit**
The Group is principally engaged in research, development, manufacturing and sale of a broad range of pharmaceuticals and radioactive source products, and also design, manufacturing, construction and installation of gamma ray irradiation facilities, provision of irradiation service for sterilisation purpose as well as independent clinical laboratory services. The amount of sales of goods recognised for the year ended 31 December 2023 is RMB5,912 million and accounted for 89% of total revenue. The revenue from sales of goods is recognised when the customer obtains control of the promised goods in the contract. We identified the recognition of revenue as a key audit matter because the revenue is one of the key performance indicators of the Group and the Group's business is diversified in different segments with large volume of revenue transaction generated from a number of customer. Therefore, there is inherent risk of material misstatement in revenue recognition.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting the terms of sales contracts with customers from each segment, on a sample basis, and evaluating the conditions of goods acceptance as to whether control over the goods has been passed and performance obligation is satisfied when the Group recognises the revenue, and assessing the Group's timing and value of recognition of revenue with reference to the requirements of the prevailing accounting standards; • inspecting goods delivery notes and logistics records, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts; • comparing revenue transactions, on a sample basis, with invoices, goods delivery notes and other relevant underlying documentation as applicable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	4	**6,634,992**	6,153,549
Cost of sales		**(3,152,753)**	(2,635,867)
Gross profit		**3,482,239**	3,517,682
Other income, gains and losses	5	**240,928**	91,222
Selling and distribution expenses		**(1,768,368)**	(1,788,089)
Administrative expenses		**(635,914)**	(575,149)
Research and development costs		**(306,051)**	(300,510)
Impairment losses on trade and other receivables	6(c)	**(71,236)**	(31,193)
Profit from operations		**941,598**	913,963
Finance costs	6(a)	**(36,142)**	(35,336)
Share of profits less losses of associates		**(14,303)**	8,618
Share of profits of joint ventures		**31,284**	33,548
Profit before taxation	6	**922,437**	920,793
Income tax expense	7	**(146,307)**	(165,556)
Profit for the year		**776,130**	755,237
Attributable to:			
Equity shareholders of the Company		**370,967**	392,275
Non-controlling interests		**405,163**	362,962
Profit for the year		**776,130**	755,237
Earnings per share:	8		
Basic and diluted (RMB)		**1.16**	1.23

The notes on pages 120 to 231 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
Profit for the year		**776,130**	755,237
Other comprehensive (expense) income for the year (after tax and reclassification adjustments)	11		
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability		**(621)**	(3,374)
Equity investments at FVOCI-net movement in fair value reserve (non-recycling)		**(5,185)**	15,523
Other comprehensive (expense) income for the year		**(5,806)**	12,149
Total comprehensive income for the year		**770,324**	767,386
Attributable to:			
Equity shareholders of the Company		**365,070**	405,805
Non-controlling interests		**405,254**	361,581
Total comprehensive income for the year		**770,324**	767,386

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	12	**3,601,172**	2,939,823	2,563,279
Investment properties	13	**46,053**	49,604	19,670
Intangible assets	14	**212,117**	160,876	156,496
Goodwill	18	**81,526**	30,764	44,036
Interests in associates	16	**119,599**	118,096	52,500
Interests in joint ventures	17	**503,514**	512,867	594,252
Long-term receivables	30(c)	**49,196**	38,997	37,176
Unquoted equity investments	19	**156,394**	162,494	150,410
Deferred tax assets	29(b)	**220,431**	222,460	215,124
Other non-current assets		**7,239**	9,899	35,255
		4,997,241	4,245,880	3,868,198
Current assets				
Inventories	20	**814,165**	678,560	691,932
Contract assets	21(b)	**19,862**	27,359	29,423
Trade and bill receivables	21(a)	**3,876,341**	3,495,093	2,823,815
Deposits and other receivables	22(a)	**254,569**	151,802	154,792
Prepayments	22(b)	**337,908**	236,997	218,689
Cash at bank and on hand	23	**2,891,624**	2,954,032	2,749,848
		8,194,469	7,543,843	6,668,499
Current liabilities				
Bank loans	24(b)	**196,310**	37,196	137,084
Corporate bond		**–**	–	499,996
Trade payables	25	**626,668**	494,102	346,290
Accruals and other payables	26(a)	**3,255,920**	3,289,544	2,843,685
Lease liabilities	27	**20,879**	28,520	53,368
Provisions	30	**86,612**	86,322	76,554
Income tax payable	29(a)	**67,532**	95,729	69,398
Total current liabilities		**4,253,921**	4,031,413	4,026,375
Net current assets		**3,940,548**	3,512,430	2,642,124
Total assets less current liabilities		**8,937,789**	7,758,310	6,510,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Non-current liabilities				
Bank loans	24(a)	**1,447,011**	786,513	144,680
Deferred income	26(b)	**59,779**	60,001	43,875
Lease liabilities	27	**31,322**	51,631	40,500
Defined benefit retirement obligation	28(a)	**44,007**	53,940	49,898
Deferred tax liabilities	29(b)	**8,876**	19,040	18,237
Provisions	30	**139,728**	138,802	133,660
Other long-term payables	26(c)	**67,738**	38,775	45,432
Total non-current liabilities		**1,798,461**	1,148,702	476,282
Net assets		**7,139,328**	6,609,608	6,034,040
Capital and reserves	31			
Share capital		**319,875**	319,875	319,875
Reserves		**4,373,445**	4,148,784	3,862,117
Total equity attributable to equity shareholders of the Company		**4,693,320**	4,468,659	4,181,992
Non-controlling interests		**2,446,008**	2,140,949	1,852,048
Total equity		**7,139,328**	6,609,608	6,034,040

The consolidated financial statements on pages 112 to 231 were approved and authorised for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Zhang Junqi
Chairman of the board

Gui Youquan
Chief accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

		Attributable to equity shareholders of the Company									
	Notes	Share capital RMB'000 Note 31(c)	Capital reserve RMB'000 Note 31(d)(i)	PRC statutory reserve RMB'000 Note 31(d)(ii)	Fair value reserve (non-recycling) RMB'000 Note 31(d)(iii)	Other reserve RMB'000 Note 31(d)(iv)	Exchange reserve RMB'000 Note 31(d)(v)	Retained profits RMB'000	Sub-total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022 (audited and originally stated)		319,875	2,117,421	144,218	39,390	47,970	–	1,510,416	4,179,290	1,852,098	6,031,388
Business combination under common control	2(c)	–	7,990	–	–	–	–	(5,127)	2,863	–	2,863
Change in accounting policy	2(d)	–	–	–	–	–	–	(161)	(161)	(50)	(211)
Balance at 1 January 2022 (Restated)		319,875	2,125,411	144,218	39,390	47,970	–	1,505,128	4,181,992	1,852,048	6,034,040
Changes in equity for 2022:											
Profit for the year		–	–	–	–	–	–	392,275	392,275	362,962	755,237
Other comprehensive income (expense)		–	–	–	15,523	–	–	(1,993)	13,530	(1,381)	12,149
Total comprehensive income		–	–	–	15,523	–	–	390,282	405,805	361,581	767,386
Capital contributions from non-controlling equity owners of subsidiaries		–	–	–	–	–	–	–	–	83,745	83,745
Capital contributions from shareholders		–	1,743	–	–	–	–	–	1,743	640	2,383
Deregistration of a subsidiary (note)		–	–	–	–	–	–	–	–	(126)	(126)
Appropriation of maintenance and production funds		–	–	–	–	42,338		(42,338)	–	–	–
Utilisation of maintenance and production funds		–	–	–	–	(32,739)	–	32,739	–	–	–
Appropriation to reserves		–	–	11,727	–	–	–	(11,727)	–	–	–
Dividends	31(b)	–	–	–	–	–	–	(120,881)	(120,881)	–	(120,881)
Distributions by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(156,939)	(156,939)
Balance at 31 December 2022 (Restated)		319,875	2,127,154	155,945	54,913	57,569	–	1,753,203	4,468,659	2,140,949	6,609,608

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

		Attributable to equity shareholders of the Company									
	Notes	Share capital RMB'000 Note 31(c)	Capital reserve RMB'000 Note 31(d)(i)	PRC statutory reserve RMB'000 Note 31(d)(ii)	Fair value reserve (non-recycling) RMB'000 Note 31(d)(iii)	Other reserve RMB'000 Note 31(d)(iv)	Exchange reserve RMB'000 Note 31(d)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023 (Audited)		319,875	2,119,164	155,945	54,913	57,569	-	1,757,821	4,465,287	2,087,996	6,553,283
Business combination under common control	2(c)	-	7,990	-	-	-	-	(4,843)	3,147	53,000	56,147
Change in accounting policy	2(d)	-	-	-	-	-	-	225	225	(47)	178
Balance at 1 January 2023 (Restated)		319,875	2,127,154	155,945	54,913	57,569	-	1,753,203	4,468,659	2,140,949	6,609,608
Changes in equity for 2023											
Profit for the year		-	-	-	-	-	-	370,967	370,967	405,163	776,130
Other comprehensive (expense) income		-	-	-	(5,185)	-	-	(712)	(5,897)	91	(5,806)
Total comprehensive (expense) income		-	-	-	(5,185)	-	-	370,255	365,070	405,254	770,324
Capital contributions from non-controlling equity owners of subsidiaries		-	-	-	-	-	-	-	-	75,905	75,905
Capital contributions from shareholders		-	790	-	-	-	-	-	790	504	1,294
Business combinations involving entities under common control		-	(3,764)	-	-	-	-	-	(3,764)	-	(3,764)
Disposals of a subsidiary		-	(3,650)	-	799	-	-	6,385	3,534	(7,080)	(3,546)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	46,153	46,153
Appropriation of maintenance and production funds		-	-	-	-	39,746	-	(39,746)	-	-	-
Utilisation of maintenance and production funds		-	-	-	-	(38,538)	-	38,538	-	-	-
Appropriation to reserves		-	-	4,457	-	-	-	(4,457)	-	-	-
Dividends	31(b)	-	-	-	-	-	-	(140,969)	(140,969)	-	(140,969)
Distributions by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	-	(215,677)	(215,677)
Balance at 31 December 2023		319,875	2,120,530	160,402	50,527	58,777	-	1,983,209	4,693,320	2,446,008	7,139,328

Note: During the year ended 31 December 2022, the Group deregistered a subsidiary, 中核普林醫療科技(成都)有限公司 in which the non-controlling interest in 中核普林 of approximately RMB126,000 was derecognised accordingly.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		922,437	920,793
Adjustments for:			
Depreciation and amortisation	6(c)	264,351	223,148
Government grants	5	(32,626)	(41,948)
Interest income	5	(30,973)	(45,286)
Finance costs	6(a)	36,142	35,336
Gain on bargain purchases	32(b)	–	(125)
Dividend income on unquoted equity investment	5	(5,593)	(6,404)
Impairment loss on trade and bill receivables	21	67,099	28,931
Impairment loss on contract assets	21	1,317	148
Impairment loss on other receivables	22	4,137	2,262
Impairment loss on intangible asset	14	–	3,392
Impairment loss on goodwill	18	–	13,272
Write-down (reversal of write-down) of inventories		1,560	(728)
Write-off of intangible assets		–	8
Write-off of property, plant and equipment	12	–	660
Gain on disposal of a subsidiary	33(a)	(158,435)	–
Gain on deemed disposal of a subsidiary	33(b)	(124)	–
Net loss on disposal of property, plant and equipment	5	135	1,116
Expenses related to defined benefit retirement plans		819	876
Loss on early termination of a lease		–	7,977
Share of losses (profits) less losses of associates		14,303	(8,618)
Share of profits of joint ventures		(31,284)	(33,548)
Operating cash flows before movement in working capital		1,053,265	1,101,262
(Increase)/decrease in inventories		(157,259)	14,100
Increase in trade and bill receivables		(527,099)	(698,293)
(Increase)/decrease in prepayments, deposits and other receivables		(235,140)	2,056
Increase in trade payables		160,668	147,812
(Decrease)/increase in accruals and other payables		(9,356)	434,455
Decrease in defined benefit retirement obligation	28	(1,457)	(1,978)
(Decrease)/increase in provisions		(3,787)	11,220
Cash generated from operations		279,835	1,010,634
Income taxes paid	29(a)	(194,878)	(147,516)
NET CASH GENERATED FROM OPERATING ACTIVITIES		84,957	863,118

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
INVESTING ACTIVITIES			
Increase in deposits with banks	23	**(685,932)**	(717,203)
Withdrawal of deposits with banks	23	**879,458**	606,740
Payments for purchase of investment property, plant and equipment, lease prepayments and intangible assets		**(897,617)**	(576,380)
Net cash outflow from acquiring subsidiaries	32	**(71,251)**	(25,414)
Payments for purchase of interests in associates	16	**(6,800)**	(25,000)
Partial disposal of interest in joint ventures	17	**15,205**	36,140
Net cash inflow on disposal of a subsidiary	33	**226,943**	–
Acquisition of combined entities under common control	2(c)	**(4,611)**	–
Net cash outflow on deemed disposal of a subsidiary		**(1,769)**	–
Proceeds from disposal of property, plant and equipment		**48**	6,595
Dividends received from associates	16	**–**	216
Dividends received from joint ventures	17	**50,556**	53,643
Dividends received from unquoted equity investment	19	**5,593**	6,404
Government grants received		**32,404**	58,074
Interests received		**27,892**	45,286
NET CASH USED IN INVESTING ACTIVITIES		**(429,881)**	(530,899)
FINANCING ACTIVITIES			
Capital injections from non-controlling equity owners of subsidiaries		**65,919**	83,745
Capital injections in subsidiaries		**–**	2,383
Proceeds from bank and other loans	23(b)	**909,870**	734,560
Repayments of bank and other loans	23(b)	**(86,887)**	(195,850)
Capital elements of lease rentals paid	23(b)	**(28,585)**	(54,286)
Interest elements of lease rentals paid	23(b)	**(3,231)**	(4,696)
Repayment of principal of corporate bonds	23(b)	**–**	(500,000)
Interest paid on corporate bond	23(b)	**–**	(19,000)
Other finance costs paid	23(b)	**(28,361)**	(7,534)
Dividends paid by the Company to equity shareholders		**(140,969)**	(120,881)
Dividends paid by subsidiaries to non-controlling equity owners		**(203,391)**	(156,939)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**484,365**	(238,498)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**139,441**	93,721
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,236,829**	2,143,108
Effect of changes in exchange rate		**189**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,376,459**	2,236,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

China Isotope & Radiation Corporation (the "Company") was established on 4 December 2007 in the People's Republic of China (the "PRC") as a state-owned enterprise with limited liability. The Company was converted into a joint stock company with limited liability on 6 December 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is changed from China National Nuclear Corporation ("CNNC") to China Baoyuan Investment Company Limited ("China Baoyuan") on 25 December 2023 and the ultimate holding company of the Company remains unchanged as CNNC. The address of its Hong Kong office is 5/F., Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. The principal place of business is located in the PRC, with the address of No. 66, Changwa Middle Street, Haidian District Beijing, the PRC.

The principal activity of the Company is investment holding.

The Company and its subsidiaries (hereafter collectively referred to as the "Group") are mainly engaged in (i) research, development, manufacturing and sale of diagnostic and therapeutic radiopharmaceuticals and radioactive source products for medical and industrial applications; (ii) provision of irradiation service for sterilisation purpose and EPC service for the design, manufacturing and installation of gamma ray irradiation facilities; and (iii) provision of independent clinical medical and laboratory services and medicine equipment to hospitals and other medical institutions.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

These consolidated 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 consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) 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 accounting periods and reflected in these consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the the Group and the Group's interests in associates and joint ventures.

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

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

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

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

(c) Merger accounting involving entities under common control

On 20 December 2023, the Company entered into an acting in concert agreement with other shareholders of China Nuclear Qinshan Isotope Co., Ltd.* (中核秦山同位素有限公司) ("China Nuclear Qinshan"). Pursuant to the acting in concert agreement, other shareholders irrevocably and unconditionally undertook that it would vote in the same manner as the Company in meetings of shareholders of China Nuclear Qinshan. The Company and other shareholders hold 55% of the issued share capital of China Nuclear Qinshan. Among the 9 directors on the board of directors, the Company and other shareholders nominated 5 directors in total. After signing the acting in concert agreement, the Company has more than half of the voting power in China Nuclear Qinshan.

On 28 December 2023, the Company entered into the equity transfer agreement with China National Nuclear Corporation Dalian Institute of Applied Technology* (核工業大連應用技術研究所) to acquire Dalian CNNC Radiation Technology Co., Ltd.* (大連中核輻射技術有限公司) ("Dalian CNNC Radiation") through business combinations, pursuant to which, the Company acquired 100% equity interests in Dalian CNNC Radiation held by China National Nuclear Corporation Dalian Institute of Applied Technology at a total consideration of RMB4,611,000.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

Upon the completion, the Dalian CNNC Radiation and China Nuclear Qinshan became subsidiaries of the Group. As Dalian CNNC Radiation, China Nuclear Qinshan and the Group are commonly controlled by the CNNC both before and after the acquisitions, the acquisitions of Dalian CNNC Radiation and China Nuclear Qinshan were considered as business combination involving entities under common control. Accordingly, the Company applied the principle of merger accounting to account for the acquisitions of Dalian CNNC Radiation and China Nuclear Qinshan in preparing these consolidated financial statements.

The assets and liabilities of Dalian CNNC Radiation and China Nuclear Qinshan acquired by the Group are stated at predecessor value, and were included in the Group's consolidated financial statements from the beginning of the earliest period presented as if Dalian CNNC Radiation and China Nuclear Qinshan have always been part of the Group. No amount is recognised as consideration for goodwill or excess of the Group's interest in the net fair value of Dalian CNNC Radiation and China Nuclear Qinshan's identified assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of Dalian CNNC Radiation and China Nuclear Qinshan since the date when Dalian CNNC Radiation and China Nuclear Qinshan first came under the common control of the Group.

By applying the principles of merger accounting, these consolidated financial statements also included the financial position, results and cash flows of Dalian CNNC Radiation and China Nuclear Qinshan since the dates when Dalian CNNC Radiation and China Nuclear Qinshan first came under the common control of the Group. Comparative figures in the Group's consolidated financial statements for the year ended 31 December 2022 have been restated to include the results of Dalian CNNC Radiation and China Nuclear Qinshan for the year ended 31 December 2022 and its assets and liabilities as at 31 December 2022.

A uniform set of accounting policies is adopted by Dalian CNNC Radiation and China Nuclear Qinshan. All intra-group transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

The quantitative impact on the consolidated financial statements is summarised below:

(i) The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	31 December 2022			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Revenue	6,146,172	7,377	–	6,153,549
Profit for the year	754,564	282	–	754,846
Profit attributable to:				
Equity shareholders of the Company	391,605	282	–	391,887
Non-controlling interests	362,959	–	–	362,959
	754,564	282	–	754,846

(ii) The consolidated statement of financial position as at 31 December 2022

	31 December 2022				
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	Adjustments RMB'000	As restated RMB'000
Non-current assets	4,172,830	53,123	65,951	(47,000)	4,244,904
Current assets	7,512,710	4,923	34,211	(8,001)	7,543,843
Total assets	11,685,540	58,046	100,162	(55,001)	11,788,747
Non-current liabilities	1,144,467	3,437	–	–	1,147,904
Current liabilities	3,987,790	51,462	162	(8,001)	4,031,413
Total liabilities	5,132,257	54,899	162	(8,001)	5,179,317
Total equity	6,553,283	3,147	100,000	(47,000)	6,609,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

(ii) The consolidated statement of financial position as at 31 December 2022 (continued)

	31 December 2022				
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	Adjustments RMB'000	As restated RMB'000
Total equity attributable to:					
Equity shareholders of the Company	4,465,287	3,147	47,000	(47,000)	4,468,434
Non-controlling interests	2,087,996	–	53,000	–	2,140,996
	6,553,283	3,147	100,000	(47,000)	6,609,430

(iii) The consolidated statement of cash flows for the year ended 31 December 2022

	31 December 2022			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Cash and cash equivalents at the beginning of the year	2,141,450	1,658	–	2,143,108
Net cash from operating activities	862,659	459	–	863,118
Net cash used in investing activities	(506,623)	(1,169)	(23,107)	(530,899)
Net cash (used in) from financing activities	(291,498)	–	53,000	(238,498)
Cash and cash equivalents at the end of the year	2,205,988	948	29,893	2,236,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

(iv) The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	31 December 2021			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Revenue	5,143,694	9,065	–	5,152,759
Profit for the year	673,037	364	–	673,401
Profit attributable to:				
Equity shareholders of the Company	335,751	364	–	336,115
Non-controlling interests	337,286	–	–	337,286
	673,037	364	–	673,401

(v) The consolidated statement of financial position as at 1 January 2022

	1 January 2022			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Non-current assets	3,817,187	50,332	–	3,867,519
Current assets	6,656,781	11,718	–	6,668,499
Total assets	10,473,968	62,050	–	10,536,018
Non-current liabilities	470,918	4,474	–	475,392
Current liabilities	3,971,662	54,713	–	4,026,375
Total liabilities	4,442,580	59,187	–	4,501,767
Total equity	6,031,388	2,863	–	6,034,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

(v) The consolidated statement of financial position as at 1 January 2022 (continued)

	1 January 2022			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Total equity attributable to:				
Equity shareholders of the Company	4,179,290	2,863	–	4,182,153
Non-controlling interests	1,852,098	–	–	1,852,098
	6,031,388	2,863	–	6,034,251

(vi) The consolidated statement of cash flows for the year ended 31 December 2021

	31 December 2021			
	As previously reported RMB'000	Merger of Dalian CNNC Radiation RMB'000	Merger of China Nuclear Qinshan RMB'000	As restated RMB'000
Cash and cash equivalents at the beginning of the year	2,351,602	117	–	2,351,719
Net cash from operating activities	794,312	4,677	–	798,989
Net cash used in investing activities	(907,356)	(736)	–	(908,092)
Net cash used in financing activities	(97,436)	(2,400)	–	(99,836)
Effect of foreign exchange rate changes	328	–	–	328
Cash and cash equivalents at the end of the year	2,141,450	1,658	–	2,143,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Merger accounting involving entities under common control (continued)

(vii) Reconciliation of net cash outflow arising on acquisition of combined entities under common control:

	28 December 2023 RMB'000
Cash consideration paid for acquisition of combined entities under common control	**4,611**

(d) Application of new and amendments to IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

In addition, the Group applied the agenda decisions of the International Financial Reporting Standards Interpretations Committee of the IASB which are relevant to the Group.

Except as described below, the application of the new and amendments to IFRSs and the committee's agenda decisions in the current year has had no material impact on the Group's financial positions and performance in the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Application of new and amendments to IFRSs (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The Group previously applied IAS 12 requirements to the relevant assets and liabilities arising from a single transaction as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments to IAS 12, the Group has assessed the relevant deferred tax assets and deferred tax liabilities for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities separately.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised deferred tax assets (to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised) and deferred tax liabilities for all deductible and taxable temporary differences associated with right-of-use-assets and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Application of new and amendments to IFRSs (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The details of the impacts on each financial statement line item and earnings per share arising from the application of the amendments are set out below. Comparative figures have been restated.

The effects of changes in accounting policy on the consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

Impact on profit for the year

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
(Increase)/decrease in income tax expense	**(189)**	391
Net (decrease)/increase in profit for the year	**(189)**	391
(Decrease)/increase in profit for the year attributable to:		
– Equity shareholders of the Company	**(99)**	388
– Non-controlling interests	**(90)**	3
	(189)	391
(Decrease)/increase in total comprehensive income for the year attributable to:		
– Equity shareholders of the Company	**(99)**	388
– Non-controlling interests	**(90)**	3
	(189)	391

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Application of new and amendments to IFRSs (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

Impact on basic and diluted earnings per share

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic and diluted earnings per share before adjustments	**1.16**	1.22
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	**0.00**	0.00
Reported basic and diluted earnings per share	**1.16**	1.22

The effects of changes in accounting policy on the consolidated statement of financial position as at 1 January 2022 and 1 January 2023, are as follows:

	As at 1 January 2022 (originally stated) RMB'000	Adjustments RMB'000	As at 1 January 2022 (restated) RMB'000
Deferred tax assets	214,445	679	215,124
Deferred tax liabilities	(17,347)	(890)	(18,237)
Total effect on net assets		(211)	
Reserves	3,859,415	(161)	3,859,254
Non-controlling interests	1,852,098	(50)	1,852,048
Total effect on equity	6,031,388	(211)	6,031,177

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Application of new and amendments to IFRSs (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

	As at 1 January 2023 (originally stated) RMB'000	Adjustments RMB'000	As at 1 January 2023 (restated) RMB'000
Deferred tax assets	221,484	976	222,460
Deferred tax liabilities	(18,242)	(798)	(19,040)
Total effect on net assets		178	
Reserves	4,145,412	225	4,145,637
Non-controlling interests	2,087,996	(47)	2,087,949
Total effect on equity	6,553,283	178	6,553,461

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Application of new and amendments to IFRSs (continued)

Amendments to IFRSs issued but not yet effective

Up to date of issue of these consolidated financial statements, the IASB has issued a number of amendments to IFRSs which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements.

These include the following amendments to IFRSs which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has been concluded that the adoption of these amendments is unlikely to have a significant impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted thereafter to recognise the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(f) and 2(m)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see Note 2(m)(i)).

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

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

(g) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(h) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 34(d). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in equity securities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non–recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(x)(v).

(i) Investment property

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

(j) Property, plant and equipment

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

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(l)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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

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

Buildings	10 – 45 years
Machinery and equipment	3 – 20 years
Office equipment	3 – 15 years
Motor vehicles and others	1 – 20 years
Leasehold improvement	2 – 20 years
Right-of-use assets	Over the term of lease

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

No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(k) Intangible assets (other than goodwill)

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

Other Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(m)). Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Patents and know-how	10 – 20 years
Royalty	10 years
Software and others	3 – 12 years
Customer relationship	7 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

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

(i) As a lessee

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(i) As a lessee (continued)

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(ii) As a lessor

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

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

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

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

– contract assets as defined in IFRS15 (see Note 2(o)).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(x)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e., the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) Credit losses from financial guarantees issued

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(iii) Impairment of other non-current assets

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

– property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of property, plant and equipment and intangible assets are estimated individually. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(n) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Inventories and other contract costs (continued)

(i) Inventories (continued)

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

(ii) Other contract costs

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Contract assets and contract liabilities

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

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

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

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

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(x)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(m)(i)).

(q) Cash and cash equivalents

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) Interest-bearing borrowings

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

(t) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

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

(iii) Termination benefits

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

(u) Income tax

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

Where investment properties are stated at cost loss accumulated depreciation and impairment losses in accordance with the accounting policy note 2(i), the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

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

  – the same taxable entity; or

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

(v) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Provisions, contingent liabilities and onerous contracts (continued)

(i) Provisions and contingent liabilities (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

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

(w) Obligations for reclamation

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

(x) Revenue and other income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

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

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

(i) Sale of goods

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

(ii) Construction contracts

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(iii) Rendering of services

Revenue from irradiation services and other services rendered is recognised upon the delivery or performance of the services.

(iv) Rental income from operating leases

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

(v) Dividends

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

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

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e., gross carrying amount net of loss allowance) of the asset (see Note 2(m)(i)).

(vii) Government grants

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognizes such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

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

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

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

(bb) Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATED UNCERTAINTY

Note 34(d) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Critical accounting judgements and other key sources of estimation uncertainty are as follows:

Critical judgements in applying accounting policies

(a) Classification of joint ventures

The directors of the Company assessed whether these joint arrangements are joint operations or joint ventures under IFRS 11 Joint Arrangements. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the directors of the Company concluded that all of the Group's joint arrangements should be classified as joint ventures under IFRS 11 as contractual terms agreed by the parties in the arrangements stated that the relevant activities of the joint ventures require unanimous consent of the parties sharing control. Accordingly, 上海欣科醫藥有限公司(Shanghai GMS Pharmaceutical Co., Ltd.)* ("Shanghai GMS") and 北京同輻創新產業投資基金合夥企業(有限合夥) (Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership))* ("Beijing Tongfu") are classified as joint ventures of the Group.

(b) Controls in subsidiaries

As stated in note 15, 北京雙原同位素技術有限公司(Beijing Clae-riar Rediosotope Technique Co., Ltd.)*, 上海原子科興藥業有限公司(Shanghai Yuanzi Kexing)*, 深圳市中核海得威生物科技有限公司(Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.)* and 安徽養和醫療器械設備有限公司(Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd.)* are subsidiaries of the Group even through the Group has less than 50% ownership interest.

The directors of the Company assessed the Group's control over those subsidiaries on the basis of its voting power attributable to the Group and practical ability to direct the relevant activities unilaterally, so the Group has the power over those subsidiaries.

Key sources of estimated uncertainty

(a) Depreciation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATED UNCERTAINTY (CONTINUED)

Key sources of estimated uncertainty (continued)

(b) Recognition of deferred tax assets

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

(c) Obligation for reclamation

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

(d) Impairment losses on trade and bill receivables, contract assets, deposits and other receivables and long-term receivables

The impairment provisions for trade and bill receivables, contract assets, deposits and other receivables and long-term receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss. At 31 December 2023, the carrying amounts of trade and bill receivables, contract assets, deposits and other receivables and long-term receivables are approximately RMB3,876,341,000 (2022: RMB3,495,093,000), RMB19,862,000 (2022: RMB27,359,000), RMB254,569,000 (2022: RMB151,802,000) and RMB49,196,000 (2022: RMB38,997,000) respectively, net of accumulated loss allowance for ECL of approximately RMB204,656,000 (2022: RMB185,376,000), RMB1,465,000 (2022: RMB148,000), RMB13,165,000 (2022: RMB10,397,000) and nil (2022: nil) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– sales of pharmaceuticals	**4,017,476**	3,880,262
– sales of radioactive source products	**532,567**	533,725
– sales of radiation therapy equipment	**706,124**	502,731
– sales of medical device	**544,690**	171,843
– sales of nucleic acid detection kit	**111,107**	152,669
– irradiation services	**161,687**	157,680
– technical services	**349,390**	232,052
– revenue from construction contracts	**35,826**	60,366
– independent clinical laboratory services	**52,004**	385,649
– others	**124,121**	76,572
	6,634,992	6,153,549

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 2023 and 2022. Details of the concentration of credit risk arising from the Group's customers are set out in Note 34(a).

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

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

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB19,862,000 (2022: RMB23,817,000). 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 five reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

- Radiation therapy equipments and related services: sale of radiation therapy equipments and provision of related maintenance services.

- 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 2023 and 2022 is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	Year ended 31 December 2023					
	Pharmaceuticals RMB'000	Radioactive source products RMB'000	Irradiation RMB'000	Radiation therapy equipment and related services RMB'000	Other businesses RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	4,128,583	586,207	161,687	706,406	720,814	6,303,697
Over time	–	–	9,108	227,337	94,850	331,295
Revenue from external customers	4,128,583	586,207	170,795	933,743	815,664	6,634,992
Inter-segment revenue	3,681	51,869	7,760	6,969	819	71,098
Reportable segment revenue	4,132,264	638,076	178,555	940,712	816,483	6,706,090
Reportable segment profit (gross profit)	2,892,901	276,405	91,433	167,287	84,557	3,512,583

	Year ended 31 December 2022					
	Pharmaceuticals RMB'000	Radioactive source products RMB'000	Irradiation RMB'000	Radiation therapy equipment and related services RMB'000	Other businesses RMB'000	Total RMB'000 (Restated)
Disaggregated by timing of revenue recognition						
Point in time	3,923,267	580,929	157,680	514,012	745,978	5,921,866
Over time	–	–	13,513	218,170	–	231,683
Revenue from external customers	3,923,267	580,929	171,193	732,182	745,978	6,153,549
Inter-segment revenue	1,793	37,508	132	7,796	9,263	56,492
Reportable segment revenue	3,925,060	618,437	171,325	739,978	755,241	6,210,041
Reportable segment profit (gross profit)	2,823,082	260,180	87,981	143,754	295,517	3,610,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting (continued)

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Reportable segment profit (gross profit)	**3,512,583**	3,610,514
Elimination of inter-segment profit (gross profit)	**(30,344)**	(92,832)
Consolidated gross profit	**3,482,239**	3,517,682

(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 properties, lease prepayments and intangible assets are all located or allocated to operations located in the PRC.

5. OTHER INCOME, GAINS AND LOSSES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Bank interest income	**30,973**	45,286
Government grants (note)	**32,626**	41,948
Dividend income on unquoted equity investments (note 19)	**5,593**	6,404
Rental and related income from operating leases	**8,841**	6,397
Net foreign exchange loss	**(4,387)**	(13,290)
Net loss on disposal of property, plant and equipment	**(135)**	(1,116)
Gain on disposal of a subsidiary (note 33(a))	**158,435**	–
Gain on deemed disposal of a subsidiary (note 33(b))	**124**	–
Gain on bargain purchase (note 32)	**–**	125
Others	**8,858**	5,468
	240,928	91,222

Note:

The government grants for the year ended 31 December 2023 mainly represented subsidies for support for research and development in the technology and medical field of approximately RMB26,202,000 (2022: RMB39,945,000). There are no conditions and other contingencies attached to the receipts of those subsidies.The remaining government grants are released from deferred income in note 26(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2023 RMB'000	2022 RMB'000 (Restated)
Interests on bank loans	32,439	9,212
Interests on corporate bond	–	19,004
Interests on lease liabilities	3,231	4,696
Less: interest expense capitalised into construction progress	(9,606)	(5,330)
	26,064	27,582
Interests accretion on reclamation obligations, net	6,592	3,690
Interests cost on defined benefit retirement plans (Note 28)	1,316	1,675
Interests cost on long-term payables	2,170	2,389
	36,142	35,336

The borrowing costs have been capitalised at 3.57% (2022: 4.71%) per annum.

(b) Staff costs#

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, wages and other benefits	775,565	714,883
Contributions to defined contribution retirement plans	90,994	82,074
Expenses recognised in respect of defined benefit retirement plans	819	876
	867,378	797,833

Employees of the Company's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2023 RMB'000	2022 RMB'000 (Restated)
Depreciation#		
– property, plant and equipment (Note 12)	237,104	204,937
– investment property (Note 13)	6,194	2,392
Amortisation#		
– intangible assets (Note 14)	21,053	15,819
Impairment losses recognised		
– trade and bill receivables (Note 21)	67,099	28,931
– contract assets (Note 21)	1,317	148
– deposits and other receivables (Note 22)	4,137	2,262
– intangible assets (Note 14)	–	3,392
– goodwill (Note 18)	–	13,272
Write-off of intangible assets (Note 14)	–	8
Write-off of property, plant and equipment (Note 12)	–	660
Auditors' remuneration		
– audit services	1,950	1,950
– non audit services	299	–
Loss on early termination of lease (Note 12(i))	–	7,977
Increase in provisions for reclamation obligations	1,353	11,220
Cost of inventories# (Note 20(b))	2,960,107	2,468,714

Cost of inventories includes approximately RMB400,818,000 (2022: RMB360,696,000) relating to staff costs, depreciation and amortisation expenses, 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

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

	2023 RMB'000	2022 RMB'000 (Restated)
Current tax		
Provision for the year	153,002	165,977
Under-provision in respect of prior years	13,825	7,847
Deferred tax	166,827	173,824
Origination and reversal of temporary differences (Note 29(b))	(20,520)	(8,268)
	146,307	165,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. INCOME TAX (CONTINUED)

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

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before taxation	**922,437**	920,793
National tax on profit before taxation at PRC statutory tax rate	**230,609**	230,198
Tax effect of non-deductible expenses	**15,599**	5,526
Tax effect of non-taxable income	**(41,786)**	(12,143)
Tax effect of unused tax losses and temporary differences not recognised	**41,896**	47,629
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised in current year	**(20,035)**	(4,425)
Under-provision in respect of prior years	**13,825**	7,847
Tax concessions (Note (ii))	**(49,785)**	(73,734)
Tax effect of changes in tax rate	**1,711**	1,642
Tax effect of super deduction on research and development costs	**(45,727)**	(36,984)
Actual tax expense	**146,307**	165,556

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2022: 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. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB370,967,000 (2022: RMB392,275,000) and the weighted average of 319,874,900 ordinary shares (2022: 319,874,900 ordinary shares).

The Company did not have any potential dilutive shares in existence during the years ended 31 December 2023 and 2022. Accordingly, diluted earnings per share is the same as basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 December 2023				
	Director's and supervisors' fees RMB'000	Allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Junqi (chairman & chief executive officer) (appointed on 22 December 2023)	–	152	140	62	354
Mr. Fan Guomin (appointed on 22 December 2023)	–	316	570	136	1,022
Mr. Du Jin (resigned on 22 December 2023)	–	338	623	143	1,104
Mr. Wang Suohui (resigned on 21 December 2023)	–	200	534	87	821
Mr. Xu Hongchao	–	349	533	149	1,031
Non-executive directors					
Ms. Liu Xiuhong	–	–	–	–	–
Mr. Chen Shoulei	–	–	–	–	–
Ms. Chang Jinyu	–	–	–	–	–
Mr. Ding Jianmin (appointed on 30 June 2023)	–	–	–	–	–
Mr. Dai Shuquan (resigned on 30 June 2023)	–	–	–	–	–
Independent non-executive directors					
Mr. Hui Wan Fai (resigned on 30 June 2023)	95	–	–	–	95
Mr. Chen Jingshan	150	–	–	–	150
Mr. Lu Chuang	150	–	–	–	150
Mr. Tian Jiahe	200	–	–	–	200
Mr. Poon Chiu Kwok (appointed on 30 June 2023)	68	–	–	–	68
Supervisors					
Mr. Liu Zhonglin	–	–	–	–	–
Mr. Zhao Nanfei	–	–	–	–	–
Mr. Zhang Guoping	–	–	–	–	–
Ms. Peng Qihui	–	240	198	98	536
Mr. Ma Fuxin	–	232	218	100	550
Total	663	1,827	2,816	775	6,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Year ended 31 December 2022				
	Director's and supervisors' fees RMB'000	Allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. MengYanbin (resigned on 29 July 2022)	–	–	–	–	–
Mr. Du Jin	–	311	761	134	1,206
Mr. Wang Suohui (Chairman& chief executive officer)	–	344	886	146	1,376
Mr. Xu Hongchao (appointed on 16 September 2022)	–	172	150	70	392
Non-executive directors					
Ms. Liu Xiuhong	–	–	–	–	–
Mr. Chen Shoulei	–	–	–	–	–
Ms. Chang Jinyu	–	–	–	–	–
Mr. Liu Zhonglin (resigned on 29 July 2022)	–	–	–	–	–
Mr. Dai Shuquan (appointed on 16 September 2022)	–	–	–	–	–
Independent non-executive directors					
Mr. Hui Wan Fai	162	–	–	–	162
Mr. Chen Jingshan	150	–	–	–	150
Mr. Lu Chuang	150	–	–	–	150
Mr. Tian Jiahe	366	–	–	–	366
Supervisors					
Mr Li Zhenhua (resigned on 30 August 2022)	–	273	63	57	393
Mr Zhang Jian (resigned on 30 August 2022)	–	256	54	56	366
Mr. Liu Zhonglin (appointed on 16 September 2022)	–	–	–	–	–
Mr. Zhang Qingjun (resigned on 29 July 2022)	–	–	–	–	–
Mr. Zhao Nanfei	–	–	–	–	–
Mr. Zhang Guoping	–	–	–	–	–
Ms. Peng Qihui (appointed on 30 August 2022)	–	69	64	30	163
Mr. Ma Fuxin (appointed on 30 August 2022)	–	69	72	30	171
Total	828	1,494	2,050	523	4,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2022, of the five individuals with the highest emoluments in the Group, two (2023: nil) of them were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2023: five) individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	6,209	804
Retirement scheme contributions	342	329
Discretionary bonuses	2,797	2,143
Total	9,348	3,276

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

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	3	2
HK$2,000,001 to HK$2,500,000	1	–
Total	5	3

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the individuals waived any emoluments for both years.

The discretionary bonus is determined by the Group having regarded to the director's performance and the prevailing market conditions.

11. OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income:

	2023			2022 (Restated)		
	Before-tax Amount RMB'000	Tax credit RMB'000	Net-of-tax Amount RMB'000	Before-tax Amount RMB'000	Tax credit RMB'000	Net-of-tax Amount RMB'000
Remeasurement of net defined benefit liability	(621)	–	(621)	(3,374)	–	(3,374)
Equity investments at FVOCI-net movement in fair value reserve (non-recycling)	(6,100)	915	(5,185)	12,084	3,439	15,523
Other comprehensive income	(6,721)	915	(5,806)	8,710	3,439	12,149

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Right-of-use assets RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicle and others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000 (Restated)
Cost:								
At 1 January 2022 (Audited)	966,508	313,202	961,749	93,894	171,823	109,268	857,852	3,474,296
Business combination under common control	31,335	8,041	8,258	48	9,983	–	–	57,665
At 1 January 2022 (Restated)	997,843	321,243	970,007	93,942	181,806	109,268	857,852	3,531,961
Additions	17,166	81,930	105,808	15,978	20,922	5,834	376,411	624,049
Additions through acquisition of a subsidiary	–	–	122	–	–	–	–	122
Disposals	(5,201)	(56,565)	(24,070)	(2,098)	(2,498)	–	–	(90,432)
Written-off	–	–	(1,237)	–	–	–	–	(1,237)
Transfer in/(out)	198,109	–	43,771	157	–	–	(242,037)	–
At 31 December 2022 and 1 January 2023	1,207,917	346,608	1,094,401	107,979	200,230	115,102	992,226	4,064,463
Additions	**13,502**	**64,114**	**112,553**	**2,230**	**11,781**	**17,944**	**768,606**	**990,730**
Additions through acquisition of a subsidiary	**6,918**	**–**	**7,011**	**104**	**1,984**	**–**	**–**	**16,017**
Disposal of subsidiaries (notes 33(a) and 33(b))	**(41,211)**	**(23,513)**	**(74,968)**	**(5,998)**	**(7,485)**	**(40,542)**	**–**	**(193,717)**
Disposals	**–**	**(33,413)**	**(19,753)**	**(1,518)**	**(29,404)**	**–**	**–**	**(84,088)**
Transfer in/(out)	**102,064**	**–**	**375,331**	**618**	**147**	**–**	**(478,160)**	**–**
At 31 December 2023	**1,289,190**	**353,796**	**1,494,575**	**103,415**	**177,253**	**92,504**	**1,282,672**	**4,793,405**
Accumulated depreciation:								
At 1 January 2022 (Audited)	(175,642)	(76,313)	(521,381)	(48,504)	(79,923)	(59,586)	–	(961,349)
Business combination under common control	(2,461)	(925)	(2,267)	(47)	(1,633)	–	–	(7,333)
At 1 January 2022 (Restated)	(178,103)	(77,238)	(523,648)	(48,551)	(81,556)	(59,586)	–	(968,682)
Charge for the year	(39,349)	(32,841)	(84,886)	(13,230)	(18,278)	(16,353)	–	(204,937)
Written off	–	–	577	–	–	–	–	577
Disposals	432	23,395	21,544	1,847	1,184	–	–	48,402
At 31 December 2022 and 1 January 2023	(217,020)	(86,684)	(586,413)	(59,934)	(98,650)	(75,939)	–	(1,124,640)
Charge for the year	**(46,701)**	**(31,934)**	**(115,974)**	**(10,103)**	**(16,251)**	**(16,141)**	**–**	**(237,104)**
Disposal of subsidiaries (notes 33(a) and 33(b))	**20,015**	**13,642**	**33,122**	**4,210**	**2,976**	**24,514**	**–**	**98,479**
Disposals	**–**	**23,138**	**17,426**	**1,335**	**29,133**	**–**	**–**	**71,032**
At 31 December 2023	**(243,706)**	**(81,838)**	**(651,839)**	**(64,492)**	**(82,792)**	**(67,566)**	**–**	**(1,192,233)**
Net book value:								
At 31 December 2023	**1,045,484**	**271,958**	**842,736**	**38,923**	**94,461**	**24,938**	**1,282,672**	**3,601,172**
At 31 December 2022 (Restated)	990,897	259,924	507,988	48,045	101,580	39,163	992,226	2,939,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

As at 31 December 2023, the Group has pledged its ownership interests in plant and machinery with carrying values of approximately RMB77,057,000 (2022: RMB65,660,000) to secure bank loans granted to the Group. Details of bank and other borrowings are set out in note 24(a).

Notes:

(i) During the year ended 31 December 2022, the Group's current lease contract with original expiry date on 31 December 2024 had been early terminated, resulting in a derecognition of right-of-use assets and lease liabilities of approximately RMB33,170,000 (2023: nil) and RMB25,193,000 (2023: nil) respectively, the loss on early termination of lease of approximately RMB7,977,000 (2023: nil) was recognised in the line item of administrative expenses in the consolidated statement of profit or loss.

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

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000 (Restated)
Property leased for own use, carried at depreciated cost:		
– ownership interests in leasehold land held for own use, with remaining lease terms between 10 and 50 years	**213,145**	174,937
– buildings	**44,480**	62,807
– equipment and others	**14,333**	22,180
	271,958	259,924

The remaining lease periods of the existing leases on buildings and plants and equipments and others range from 3 to 20 years.

During the year ended 31 December 2023, additions to right-of-use assets were approximately RMB64,114,000 (2022: RMB81,930,000). This amount included additions of equipment of approximately RMB50,000 (2022: RMB4,478,000), buildings of approximately RMB19,276,000 (2022: RMB40,778,000) and ownership interests in leasehold land held for own use of approximately RMB44,788,000 (2022: RMB36,674,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

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

	2023	2022
	RMB'000	RMB'000
		(Restated)
Depreciation charge of right of use assets by class of underlying assets:		
– ownership interests in leasehold land held for own use, with remaining lease terms between 10 and 50 years	**7,514**	5,707
– buildings	**21,893**	22,068
– equipment and others	**2,527**	5,066
	31,934	32,841
Interest on lease liabilities (Note 6(a))	**3,231**	4,696
Expense relating to short-term leases	**21,155**	9,033

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases are set out in Note 23(c), Note 27 and Note 34(b), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

13. INVESTMENT PROPERTIES

	RMB'000
Cost	
At 1 January 2022 (Audited)	37,339
Additions	4,715
Acquired on acquisition of a subsidiary (note 32(a))	27,611
At 31 December 2022 and 1 January 2023	69,665
Additions	2,643
At 31 December 2023	72,308
Accumulated depreciation and impairment	
At 1 January 2022 (Audited)	17,669
Provided for the year	2,392
At 31 December 2022 and 1 January 2023	20,061
Provided for the year	6,194
At 31 December 2023	26,255
Carrying amount:	
At 31 December 2023	46,053
At 31 December 2022	49,604

The fair value of the Group's investment properties as at 31 December 2023 was approximately RMB101,021,000 (2022: RMB154,005,000). The fair value has been arrived at based on valuations carried out by China Alliance Appraisal Co., Ltd., an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter term of the lease or 20-40 years

As at 31 December 2023, the Group has pledged investment properties with carrying values of approximately RMB5,857,000 (2022: RMB6,304,000) to secure bank loans granted to the Group. Details of bank and other borrowings are set out in Note 24(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14. INTANGIBLE ASSETS

	Patents and know-how RMB'000	Royalty RMB'000	Software and others RMB'000	Customer relationship RMB'000	Total RMB'000 (Restated)
Cost:					
At 1 January 2022	143,650	9,480	47,896	23,300	224,326
Additions	17,814	–	5,785	–	23,599
Write-off	–	–	(21)	–	(21)
At 31 December 2022 and 1 January 2023	161,464	9,480	53,660	23,300	247,904
Additions	**57,948**	**–**	**17,019**	**–**	**74,967**
Additions through acquisition of a subsidiary (note 32(a))	**4,700**	**–**	**–**	**3,000**	**7,700**
Disposal of subsidiaries (notes 33(a) and 33(b))	**(10,000)**	**–**	**(4,344)**	**–**	**(14,344)**
At 31 December 2023	**214,112**	**9,480**	**66,335**	**26,300**	**316,227**
Accumulated amortisation and impairment losses:					
At 1 January 2022	(24,697)	(6,088)	(20,445)	(16,600)	(67,830)
Charge for the year	(5,866)	(798)	(7,547)	(1,608)	(15,819)
Write-off	–	–	13	–	13
Impairment losses	–	–	–	(3,392)	(3,392)
At 31 December 2022 and 1 January 2023	**(30,563)**	**(6,886)**	**(27,979)**	**(21,600)**	**(87,028)**
Charge for the year	**(9,359)**	**(798)**	**(9,187)**	**1,709**	**(21,053)**
Disposal of subsidiaries (notes 33(a) and 33(b))	**641**	**–**	**3,330**	**–**	**3,971**
At 31 December 2023	**(39,281)**	**(7,684)**	**(33,836)**	**(23,309)**	**(104,110)**
Net book value:					
At 31 December 2023	**174,831**	**1,796**	**32,499**	**2,991**	**212,117**
At 31 December 2022	130,901	2,594	25,681	1,700	160,876

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

As at 31 December 2023, the Group has pledged intangible assets with carrying values of approximately RMB870,000 (2022: RMB898,000) to secure bank loans granted to the Group. Details of bank and other borrowings are set out in Note 24(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14. INTANGIBLE ASSETS (CONTINUED)

During the year ended 31 December 2022, impairment loss of intangible assets attributable to the customer relationship of approximately RMB3,392,000 (2023: nil) is recognised due to the sales volume from the respective cash-generating units was less than expected resulting in downward adjustment on the estimated net cash inflows from those customers.

The recoverable amounts of the relevant intangible assets were determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual sales growth rates, which are based on the Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. The discount rates of 18.3% (2022: 16.9%) used are pre-taxed and reflect specific risks relating to the respective cash generating units.

15. INVESTMENTS IN SUBSIDIARIES

	2023	2022
	RMB'000	RMB'000
Unlisted shares, at cost	**1,206,354**	1,289,779
Listed shares, at cost	**606,085**	606,085
	1,812,439	1,895,864
Less: impairment loss	**–**	(32,590)
	1,812,439	1,863,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following list contains only the particulars of principal subsidiaries as at 31 December 2023 and 2022 which principally affected the results, assets or liabilities of the Group.

Name of the company	Place of establishment	Issued and fully paid-up capital RMB	The Group's effective interest		Voting power attributable to the Group		Principal activities
			2023	2022	2023	2022	
Beijing North Institute of Biological Technology Co., Ltd. 北京北方生物技術研究所有限公司	The PRC	189,600,000	–	100%	–	100%	Production and sale of bio-pharmaceuticals
Beijing Clae-riar Rediosotope Technique Co., Ltd. (Note (ii)) 北京雙原同位素技術有限公司	The PRC	11,000,000	34.75%	34.75%	100%	100%	Production and sale of radioactive sources
Shanghai Yuanzi Kexing (Note (iv)) 上海原子科興藥業有限公司	The PRC	84,320,000	48.64%	48.64%	70%	70%	Sale of radioactive medicine
Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. (Note (iv)) 深圳市中核海得威生物科技有限公司	The PRC	200,000,000	48.00%	48.00%	54.1%	54.1%	Production and sale of bio-pharmaceuticals
HTA Co., Ltd. (Note (iii) and (iv)) 原子高科股份有限公司	The PRC	161,784,136	69.49%	69.49%	80%	80%	Application of nuclear technology
Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd.(Note (ii)) 安徽養和醫療器械設備有限公司	The PRC	7,750,000	48.00%	48.00%	100%	100%	Medical diagnostic equipment manufacturing
Chengdu Gaotong Isotope Co., Ltd. (Note (iii)) 成都中核高通同位素股份有限公司	The PRC	70,583,407	93.15%	93.15%	93.15%	93.15%	Application of nuclear technology
CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd. 中核同興(北京)核技術有限公司	The PRC	30,000,000	51%	51%	51%	51%	Application of nuclear technology
Ningbo Junan Pharmaceuticals Technology Co., Ltd. 寧波君安藥業科技有限公司	The PRC	80,000,000	100%	100%	100%	100%	Production and sale of radioactive medicine
CNNC Accuray (Tianjin) Medical Technology Co., Ltd. 中核安科銳(天津)醫療科技有限公司	The PRC	193,700,990	51%	51%	51%	51%	Production and sale of radiation therapy equipments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

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

(ii) The Group is exposed, or has rights, to variable returns from its involvement with these companies and has the ability to affect those returns through its power over these companies based on the contractual terms agreed by the parties in the subsidiaries' memorandum of association which stated that the Group has right to direct the relevant activities unilaterally.

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

(iv) The Group has more than half of the voting power over these subsidiaries since the holding companies of the subsidiaries are controlled by the Group.

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

HTA Co., Ltd.

	2023 RMB'000	2022 RMB'000 (Restated)
NCI percentage	**30.51%**	30.51%
Current assets	**715,717**	778,850
Non-current assets	**2,022,202**	1,698,181
Current liabilities	**(374,728)**	(364,065)
Non-current liabilities	**(317,992)**	(243,038)
Net assets	**2,045,199**	1,869,928
Carrying amount of NCI	**623,990**	570,515

	2023 RMB'000	2022 RMB'000
Revenue	**852,672**	766,678
Profit for the year	**248,894**	215,301
Other comprehensive income (expenses) for the year	**300**	(4,528)
Total comprehensive income for the year	**249,194**	210,773
Total comprehensive income for the year allocated to NCI	**76,029**	64,307
Dividend paid to NCI	**22,854**	24,680
Cash flows from operating activities	**77,824**	64,308
Cash flows used in investing activities	**(141,084)**	(116,260)
Cash flows used in financing activities	**(35,160)**	(114,194)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.

	2023 RMB'000	2022 RMB'000
NCI percentage	52.00%	52.00%
Current assets	3,052,687	2,925,456
Non-current assets	619,744	435,604
Current liabilities	(1,822,361)	(1,774,081)
Non-current liabilities	(7,252)	(7,935)
Net assets	1,842,818	1,579,044
Carrying amount of NCI	958,265	821,103

	2023 RMB'000	2022 RMB'000
Revenue	2,185,068	2,198,849
Profit and total comprehensive income for the year	498,127	483,774
Profit and total comprehensive income for the year allocated to NCI	261,160	251,562
Dividend paid to NCI	107,711	59,512
Cash flows from operating activities	462,208	397,137
Cash flows (used in) from investing activities	(18,716)	5,750
Cash flows used in financing activities	(234,677)	(210,410)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd

	2023 RMB'000	2022 RMB'000
NCI percentage	52.00%	52.00%
Current assets	278,186	282,005
Non-current assets	34,222	36,122
Current liabilities	(59,800)	(64,042)
Net assets	252,608	254,085
Carrying amount of NCI	131,356	132,124

	2023 RMB'000	2022 RMB'000
Revenue	184,348	234,879
Profit and total comprehensive income for the year	69,425	101,289
Profit and total comprehensive income for the year allocated to NCI	36,287	52,670
Dividend paid to NCI	36,869	59,759
Cash flows from operating activities	56,154	98,318
Cash flows from (used in) investing activities	8,338	(36,089)
Cash flows used in financing activities	(70,995)	(114,921)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

16. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000 (Restated)
Costs of interests in associates	**115,505**	99,699
Share of post-acquisition results and other comprehensive income, net of dividends received	**4,094**	18,397
	119,599	118,096

During the year ended 31 December 2023, the addition of interest in 中同愛邦高新技術有限公司 and 江蘇高同裝備有限公司 amounted to approximately RMB6,800,000 (2022: nil) and nil (2022: RMB25,000,000), respectively. And the dividend received from other associates amounted to approximately nil (2022: RMB216,000).

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

Name of the company	Place of establishment	Issued and fully paid-up capital	Group's effective interest 2023	Group's effective interest 2022	Principal activities
廣州中山醫藥科技發展有限公司 Guangzhou Zhongshan Medicine Technology Co., Ltd.	The PRC	RMB2,300,000	**20.54%**	20.54%	Provision of health consultation services and information consultation services
江蘇高同裝備有限公司 Jiangsu Gaotong Equipment Co., Ltd.	The PRC	RMB25,000,000	**40.92%**	40.92%	Business of class III medical device
上海深景醫藥科技有限公司 Shanghai Vista Pharmaceutical Technology Co., Ltd.*	The PRC	RMB28,800,000	**40.00%**	40.00%	Provision of technical service and consultation
南京慈基醫學技術服務有限公司 Nanjing Ciji Medical Technology Service Co., Ltd*	The PRC	RMB255,000	**33.64%**	33.64%	Sales of medical devices
中核核素醫療投資有限公司 CNNC Nuclide Medical Investment Co., Ltd.*	The PRC	RMB4,900,000	**49.00%**	49.00%	Assets and investment management
深圳市瑞利醫療科技有限責任公司 Shenzhen Relicare Medical Co.,Ltd.*	The PRC	RMB17,500,000	**35.00%**	35.00%	Sales of medical devices
中同愛邦高新技術有限公司 Zhongtong Aibang High Tech Co., Ltd.*	The PRC	RMB6,800,000	**34.00%**	–	Production and sale of radiation therapy equipments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

16. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2023 **RMB'000**	2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**119,599**	118,096

	2023 **RMB'000**	2022 RMB'000
Aggregate amounts of the Group's share of those associates' (loss)/profit and total comprehensive (expense) income	**(14,303)**	8,618

17. INTERESTS IN JOINT VENTURES

	2023 **RMB'000**	2022 RMB'000
Costs of interests in joint ventures	**470,432**	485,637
Share of post-acquisition results, net of dividends received	**33,082**	27,230
	503,514	512,867

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

Name of the company	**Place of establishment**	**Group's effective interest** **2023 &2022**	**Principal activities**
Shanghai GMS Pharmaceutical Co., Ltd. 上海欣科醫藥有限公司*	The PRC	**49%**	Production and sales of bio-pharmaceuticals
Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership) ("Beijing Tongfu") 北京同輻創新產業投資基金合夥企業(有限合夥)*	The PRC	**44% (30%)**	The application areas of nuclear technology Investments

The Group's joint ventures are accounted for using the equity method in the consolidated financial statements as in accordance with the contractual terms of the arrangements that the relevant activities require unanimous consent of the parties sharing control.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

17. INTERESTS IN JOINT VENTURES (CONTINUED)

During the year ended 31 December 2023, there was a capital refund by Beijing Tongfu. The capital refund received by the Group amounting to approximately RMB15,205,000 (2022: RMB36,140,000) in proportion to the respective shareholding in Beijing Tongfu.

Accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Shanghai GMS Pharmaceutical Co., Ltd.

	2023	2022
	RMB'000	RMB'000
Current assets	**157,202**	217,431
Non-current assets	**30,379**	30,364
Current liabilities	**(86,381)**	(161,614)
Non-current liabilities	**(1,338)**	(1,295)
Net assets	**99,862**	84,886

	2023	2022
	RMB'000	RMB'000
Gross amounts		
Revenue	**267,647**	224,512
Profit and total comprehensive income	**46,295**	32,704
Dividend received	**40,471**	49,649
Reconciled to the Group's interest		
Gross amounts of net assets	**99,862**	84,886
The Group's effective interest	**49%**	49%
The Group's share of net assets	**48,932**	41,594
Carrying amount in the consolidated financial statements	**48,932**	41,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Beijing Tongfu Innovation Industrial Investment Fund Partnership (Limited Partnership)

	2023	2022
	RMB'000	RMB'000
Current assets	**1,067,457**	1,256,731
Non-current assets	**–**	325,210
Current liabilities	**–**	(25)
Net assets	**1,067,457**	1,581,916

	2023	2022
	RMB'000	RMB'000
Gross amounts		
Revenue	**38,250**	59,779
Profit and total comprehensive income	**29,820**	58,448
Dividend received	**10,085**	3,994
Reconciled to the Group's interest		
Gross amounts of net assets	**1,067,457**	1,581,916
The Group's effective interest	**44%**	30%
The Group's share of net assets	**469,681**	474,575
Carrying amount in the consolidated financial statements	**454,582**	471,273

18. GOODWILL

	RMB'000
Cost	
At 1 January 2022 and 31 December 2022	48,349
Arising on acquisition of subsidiaries (note 32(a)(i))	50,762
At 31 December 2023	99,111
Impairment:	
At 1 January 2022	(4,313)
Addition	(13,272)
At 31 December 2022 and 2023	(17,585)
Carrying amount:	
At 31 December 2023	81,526
At 31 December 2022	30,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

18. GOODWILL (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Pharmaceuticals	25,206	25,206
Irradiation	1,084	1,084
Radiation therapy equipment and related services	4,474	4,474
Others (Note)	50,762	–
	81,526	30,764

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.These cash flow projections adopted annual sales growth rates, which are based on the Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. The discount rates used are pre-taxed and reflect specific risks relating to the respective cash generating units.

During the year ended 31 December 2022, impairment loss of goodwill attributable to the cash-generating unit on pharmaceuticals of approximately RMB13,272,000 (2023: nil) is recognised. No impairment loss of goodwill attributable to the cash-generating units on irradiation, radiation therapy equipment and related services, and radioactive source products and other services is recognised during the years ended 31 December 2023 and 2022.

Note: Others represented the inspection and testing services.

	2023	2022
Pharmaceuticals		
Annual sales growth rate for the first five-year period	0%-19.4%	1%-17%
Annual sales growth rate beyond five-year period	0%	0%
Discount rate	12.9%	11.9%, 14.8%
Irradiation		
Annual sales growth rate for the first five-year period	1%-5%	1%-5%
Annual sales growth rate beyond five-year period	0%	0%
Discount rate	10.77%	10.77%
Radiation therapy equipment and related services		
Annual sales growth rate for the first five-year period	5%-15%	1%-50%
Annual sales growth rate beyond five-year period	0%	0%
Discount rate	13.20%	13.9%
Others		
Annual sales growth rate for the first five-year period	5%-10%	–
Annual sales growth rate beyond five-year period	0%	–
Discount rate	10.56%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. UNQUOTED EQUITY INVESTMENTS

	2023 RMB'000	2022 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unquoted equity investments	156,394	162,494

Note:

The unquoted equity investments are shares in CNNC Financial Leasing Co., Ltd. ("CNNC Financial Leasing Company"), CNNC Finance Co., Ltd. ("CNNC Finance Company") and Tongchuang Investment Partnership (Limited Partnership) ("Tongchuang Investment Partnership"), three related parties under CNNC.

The Group designated its unquoted equity investments at FVOCI (non-recycling), as the investments are held for strategic purposes. The Group received dividends of approximately RMB4,793,000 (2022: RMB4,427,000), RMB800,000 (2022: RMB1,948,000) and nil (2022: RMB29,000) from CNNC Financial Leasing Company, CNNC Finance Company and Tongchuang Investment Partnership during the year, respectively.

20. INVENTORIES

(a) Inventories comprise:

	2023 RMB'000	2022 RMB'000 (Restated)
Raw materials	239,394	158,328
Work in progress	96,665	111,703
Finished goods	466,254	400,508
Others	14,019	8,628
	816,332	679,167
Less: write-down of inventories	(2,167)	(607)
	814,165	678,560

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

	2023 RMB'000	2022 RMB'000 (Restated)
Carrying amount of inventories sold	2,958,547	2,469,442
Write-down (reversed) of inventories	1,560	(728)
	2,960,107	2,468,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

21. TRADE AND BILL RECEIVABLES AND CONTRACT ASSETS

(a) Trade and bill receivables

	2023 RMB'000	2022 RMB'000 (Restated)
Bill receivables	**111,870**	96,794
Trade receivables due from		
– Related parties under CNNC	**62,626**	57,596
– associates and joint ventures	**19,872**	20,583
– third parties	**3,886,629**	3,505,496
	4,080,997	3,680,469
Less: loss allowance for expected credit loss	**(204,656)**	(185,376)
	3,876,341	3,495,093

As at 1 January 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB2,823,815,000.

Aging analysis

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

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	**3,335,766**	3,026,852
1 to 2 years	**389,000**	386,911
2 to 3 years	**115,870**	59,761
Over 3 years	**35,705**	21,569
	3,876,341	3,495,093

The Group granted credit term on a case by case basis and trade and bills receivables are required to be settled in accordance with credit terms as stipulated in the contract and invoice due to issuance.

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 34(a). There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As at 31 December 2023, bill receivables amounting to approximately RMB15,550,000 (2022: RMB19,174,000) was measured at FVOCI because the bill receivables are held within a business model whose objective of both collect contractual cash flows or to sell. The fair value of bill receivables was at a level 2 fair value measurement which has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the years ended 31 December 2023 and 2022, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

21. TRADE AND BILL RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(b) Contract assets

	2023 RMB'000	2022 RMB'000 (Restated)
Analysed as current:		
Retention receivables of construction contracts (note a)	19,624	1,269
Unbilled revenue of construction contracts (note b)	1,703	26,238
	21,327	27,507
Less: loss allowance for expected credit loss	(1,465)	(148)
	19,862	27,359

As at 1 January 2022, contract assets amounted to approximately RMB29,423,000.

Notes:

(a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.

(b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Contract assets are included in current assets as the Group expects to realise these within its normal operating cycle.

The recovery or settlement for contract assets pursuant to the terms of contracts as at 31 December 2023 and 2022 is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Within one year	10,791	19,374
Over one year	10,536	8,133
	21,327	27,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

(a) Deposits and other receivables:

	2023 RMB'000	2022 RMB'000 (Restated)
Advance to		
– CNNC	4	4
– related parties under CNNC	2,645	2,494
– a former subsidiary of the Group	5,007	–
Deposits		
– related parties under CNNC	2,195	1,614
– third parties	46,711	23,789
Staff advance	2,122	2,524
Others	50,518	42,389
Dividends receivables		
– a former subsidiary of the Group	36,981	–
– associates, joint ventures and unquoted equity investments	2,607	27,731
	148,790	100,545
Less: loss allowance for expected credit loss	(13,165)	(10,397)
Financial assets measured at amortised cost	135,625	90,148
Deductible input value-added tax	118,944	61,654
	254,569	151,802

Notes:

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

(ii) Deposits mainly represent rental deposits and deposits for bidding.

(b) Prepayment:

	2023 RMB'000	2022 RMB'000 (Restated)
Prepayments for purchase of inventories from		
– related parties under CNNC	1,310	6,601
– third parties	336,598	230,396
	337,908	236,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

23. CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprised:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Cash at bank	**407,365**	524,169
Cash at CNNC Finance Company	**2,484,259**	2,429,863
	2,891,624	2,954,032
Representing:		
Cash and cash equivalents	**2,376,459**	2,236,829
Time deposits with original maturity over three months	**496,591**	692,402
Restricted deposits (Note)	**18,574**	24,801
	2,891,624	2,954,032

Cash and cash equivalents include demand deposits and short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carry interest at market rates which range from 0.01% to 1.52% (2022: 0.25% to 3.025%) per annum.

Time deposits with original maturity over three months and restricted deposits, which carry interest at market rates which range from 1.56% to 1.65% (2022: 1.49% to 3.02%) and 0.2% to 3.025% (2022:0.25% to 1.75%) per annum respectively.

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

(b) Reconciliation of liabilities arising from financing activities

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

	Interest payables included in accruals and other payables RMB'000	Loans included in other long-term payables RMB'000	Bank loans RMB'000	Corporate bond RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	2,870	38,775	823,709	–	80,151	945,505
Changes from financing cash flows:						
Proceeds from new bank and other loans	–	9,973	899,897	–	–	909,870
Repayment of bank and other loans	–	(12,667)	(74,220)	–	–	(86,887)
Borrowing costs paid	(2,870)	–	(25,491)	–	–	(28,361)
Capital element of lease rentals paid	–	–	–	–	(28,585)	(28,585)
Interest element of lease rentals paid	–	–	–	–	(3,231)	(3,231)
Total changes from financing cash flows	(2,870)	(2,694)	800,186	–	(31,816)	762,806
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	11,576	11,576
Disposal of a subsidiary	–	–	(15,016)	–	(10,941)	(25,957)
Deemed disposal of a subsidiary	–	–	(2,997)	–	–	(2,997)
Acquisition of a subsidiary	–	–	5,000	–	–	5,000
Interest expenses	–	2,170	32,439	–	3,231	37,840
Total other changes	–	2,170	19,426	–	3,866	25,462
At 31 December 2023	–	38,251	1,643,321	–	52,201	1,733,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

	Interest payables included in accruals and other payables RMB'000	Loans included in other long-term payables RMB'000	Bank loans RMB'000	Corporate bond RMB'000	Lease liabilities RMB'000	Total RMB'000 (Restated)
At 1 January 2022	2,870	37,943	281,764	499,996	93,868	916,441
Changes from financing cash flows:						
Proceeds from new bank loans	–	–	734,560	–	–	734,560
Repayment of bank and other loans	–	(1,557)	(194,293)	–	–	(195,850)
Principal amount paid for corporate bonds	–	–	–	(500,000)	–	(500,000)
Interest paid on corporate bond	–	–	–	(19,000)	–	(19,000)
Borrowing costs paid	–	–	(7,534)	–		(7,534)
Capital element of lease rentals paid	–	–	–	–	(54,286)	(54,286)
Interest element of lease rentals paid	–	–	–	–	(4,696)	(4,696)
Total changes from financing cash flows	–	(1,557)	532,733	(519,000)	(58,982)	(46,806)
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	65,762	65,762
Early termination of a lease	–	–	–	–	(25,193)	(25,193)
Interest expenses	–	2,389	9,212	19,004	4,696	35,301
Total other changes	–	2,389	9,212	19,004	45,265	75,870
At 31 December 2022	2,870	38,775	823,709	–	80,151	945,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023	2022
	RMB'000	RMB'000
		(Restated)
Within operating cash flows (short-term lease expenses)	**21,155**	9,033
Within financing cash flows	**31,816**	58,982
	52,971	68,015

There amounts relate to the following:

	2023	2022
	RMB'000	RMB'000
		(Restated)
Lease rentals paid	**52,971**	68,015

24. BANK LOANS

(a) The long-term bank loans comprised:

	2023	2022
	RMB'000	RMB'000
		(Restated)
Bank loan		
– secured (Note)	**34,372**	26,442
– unsecured	**1,418,057**	770,259
	1,452,429	796,701
Less: current portion of long-term bank loans	**(5,418)**	(10,188)
Non-current portion of long term bank loans	**1,447,011**	786,513

Note:

At 31 December 2023, the aggregate carrying value of the secured property, plant and equipment, investment property and intangible assets for the Group's bank loans is approximately RMB63,713,000 (2022: RMB65,660,000), RMB5,857,000 (2022: RMB6,304,000) and RMB870,000 (2022: RMB898,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

24. BANK LOANS (CONTINUED)

(b) The short-term bank loans comprised:

	2023 RMB'000	2022 RMB'000 (Restated)
Bank loan		
– secured (Note)	**13,012**	–
– unsecured	**177,880**	27,008
	190,892	27,008
Add: current portion of long-term bank loans	**5,418**	10,188
	196,310	37,196

Note:

As of 31 December 2023, the Group had the short-term loans which are secured by property and plant of approximately RMB13,344,000 (2022: nil).

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

	2023 RMB'000	2022 RMB'000 (Restated)
After 1 year but within 2 years	**173,189**	–
After 2 years but within 5 years	**827,970**	600,272
Over 5 years	**445,852**	186,241
	1,447,011	786,513

(d) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Fixed-rate borrowings	**1,133,559**	794,391
Variable-rate borrowings	**509,762**	29,318
	1,643,321	823,709

	2023	2022 (Restated)
Effective interest rate: (per annum)		
Fixed-rate borrowings	**2.4% to 4.4%**	2.7% to 4.4%
Variable-rate borrowings*	**2.7% to 4.985%**	3.8% to 5.085%

* These borrowings bear floating rate on benchmark interest rates quoted by People's Bank of China ("PBOC").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

25. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade payables due to		
– related parties under CNNC	44,384	32,236
– associates and joint ventures	5,879	2,769
– third parties	576,405	459,097
	626,668	494,102

(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:

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	573,437	444,463
1 to 2 years	37,684	35,181
2 to 3 years	2,803	4,576
over 3 years	12,744	9,882
	626,668	494,102

All of the trade payables are usually for settlement within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

26. ACCRUALS AND OTHER PAYABLES, DEFERRED INCOME AND OTHER LONG-TERM PAYABLES

(a) Accruals and other payables

	2023 **RMB'000**	2022 RMB'000 (Restated)
Deposits from promoters (note (i))	**586,473**	614,914
Payables to promoters (note (ii))	**1,693,751**	1,742,976
Payables for staff related costs	**176,698**	160,207
Dividends payables	**19,402**	7,302
Other accruals and payables: (note (iii))		
– CNNC	**2,515**	5,088
– related parties under CNNC	**69,913**	21,871
– third parties	**180,067**	140,364
Total financial liabilities measured at amortised cost	**2,728,819**	2,692,722
Other taxes payables	**83,718**	112,519
Contract liabilities (note (iv))		
– related parties under CNNC	**47,070**	13,561
– third parties	**396,313**	470,742
	3,255,920	3,289,544

Notes:

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

(ii) The balances represent service fee and commission payables to promoters.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

26. ACCRUALS AND OTHER PAYABLES, DEFERRED INCOME AND OTHER LONG-TERM PAYABLES (CONTINUED)

(a) Accruals and other payables (continued)

Notes: (continued)

(iv) Movements in contract liabilities:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	**484,303**	340,776
Decrease in contract liabilities as a result of Recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(439,318)**	(297,778)
Increase in contract liabilities as a result of receipt in advance of transferring goods	**398,398**	441,305
At 31 December	**443,383**	484,303

The Group receives deposits from customers when they sign the sale and purchase agreements for sales of radioactive source products and radiation therapy equipments. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of the radioactive source products and radiation therapy equipments.

(b) Deferred income

	RMB'000
At 1 January 2022	43,875
Additions during the year	18,129
Credited to profit or loss	(2,003)
At 31 December 2022	60,001
Additions during the year	6,202
Credited to profit or loss	(6,424)
At 31 December 2023	59,779

During the years ended 31 December 2023 and 2022, subsidiaries in the PRC received subsidies from the government of the PRC for construction or acquisitions of property, plant and equipment. Deferred income is credited to profit or loss on a systematic and rational basis over the useful lives of the assets related to the government subsidies received.

(c) Other long-term payables

Other long-term payables represent the grants for research and development projects in the medical industry which are due to CNNC, China Institute of Atomic Energy ("CIAE"), China Institute for Radiation Protection and China Baoyuan Investment Company Limited. Included in the other long-term payable of approximately RMB5,999,000 (2022: nil) is a sale and leaseback with a discount rate of 4.93% (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

27. LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	20,879	28,520
After 1 year but within 2 years	16,851	19,902
After 2 years but within 5 years	12,092	23,180
After 5 years	2,379	8,549
	31,322	51,631
	52,201	80,151

As at 31 December 2023, the weighted average incremental borrowing rate is approximately 4.74% (2022: 3.38%).

28. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plans

In addition to the government-mandated basic pension and medical program, the Group provides defined retirement benefits to civil retirees, current retirees and certain eligible active employees (the "Plan"), which covers 26% of the Group's employees as at 31 December 2023 (2022: 32%). The Plan is administered by the Group and funded by the working capital of the Group.

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

The independent actuarial valuations of the defined benefit retirement obligation at 31 December 2023 were prepared by qualified staff of Towers Watson Management Consulting (Shenzhen) Co., Ltd., Beijing Branch, who are members of the American Academy of Actuaries, using the projected unit credit method.

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

Information about the Plan disclosed below:

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

	2023 RMB'000	2022 RMB'000 (Restated)
Present value of obligations	44,007	53,940

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months. The Group expects the amount of approximately RMB2,728,000 (2022: RMB3,092,000) of the defined benefit retirement obligation to be paid in the next twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

28. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plans (continued)

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

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	57,032	53,085
Remeasurements:		
– actuarial losses arising from changes in financial assumptions	621	3,374
Benefits paid by the plans	(2,701)	(3,223)
Current service cost	819	876
Effect of change of participants and payment rates	1,244	1,245
Interest expenses	1,316	1,675
Disposal of a subsidiary	(11,596)	–
At 31 December	46,735	57,032
Less: due within one year	(2,728)	(3,092)
Due after one year	44,007	53,940

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

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

	2023 RMB'000	2022 RMB'000 (Restated)
Service cost	819	876
Net interest on net defined benefit liability	1,316	1,675
Total amounts recognised in profit or loss	2,135	2,551
Total amounts recognised in other comprehensive income		
– Actuarial losses	621	3,374
Total defined benefit costs	2,756	5,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

28. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plans (continued)

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

The costs are recognised in the following line items in the consolidated statement of profit or loss:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Finance costs	**1,316**	1,675
Administrative expenses	**819**	876
	2,135	2,551

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

	2023 **RMB'000**	2022 RMB'000
Discount rates	**2.75%**	3.25%
Future salary increases	**6.00%**	6.00%
Annual turnover rates of active employees	**5.00%**	5.00%

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

	Increase by 1%	
	2023 **RMB'000**	2022 RMB'000
Discount rates	**(8,531)**	(7,975)
Future salary increases	**3,758**	5,716
Annual turnover rates of active employees	**(2,249)**	(1,900)

	Decrease by 1%	
	2023 **RMB'000**	2022 RMB'000
Discount rates	**11,214**	10,596
Future salary increases	**(2,946)**	(2,216)
Annual turnover rates of active employees	**2,499**	4,158

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

28. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(b) Defined contribution retirement plan

Pursuant to the relevant laws and regulations of the PRC, the Company and its subsidiaries participate in defined contribution retirement benefit schemes managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government authorities, whereby these entities are required to contribute to the schemes at a rate of 16% of the employees' basic salaries. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement.

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	**95,729**	69,398
Provision for the year	**166,827**	173,824
Income tax paid	**(194,878)**	(147,516)
Addition through acquisition of a subsidiary (Note 32(b))	**–**	23
Reduction through disposal of a subsidiary (Note 33(a))	**(146)**	–
At 31 December	**67,532**	95,729

(b) Deferred tax assets and liabilities recognised

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2023 RMB'000	2022 RMB'000 (Restated)
Deferred tax assets	**220,431**	222,460
Deferred tax liabilities	**(8,876)**	(19,040)
At 31 December	**211,555**	203,420

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

(b) Deferred tax assets and liabilities recognised (continued)

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and movements are as follows:

	Accruals RMB'000	Provision for impairment of assets RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Provision for reclamation obligations RMB'000	Tax losses RMB'000	Fair value change in unquoted equity investments RMB'000	Depreciation and amortisation RMB'000	Fair value adjustments on inventories, property, plant and equipment, intangible assets and related depreciation and amortisation RMB'000	Total RMB'000 (Restated)
At 1 January 2022	158,394	31,115	–	–	24,596	340	(13,129)	(780)	(3,438)	197,098
Adjustments (Note2 (d))	–	–	(890)	679	–	–	–	–	–	(211)
At 1 January 2022 (restated)	158,394	31,115	(890)	679	24,596	340	(13,129)	(780)	(3,438)	196,887
Credited/(charged) to profit or loss (Note 7(a))	5,832	(387)	92	297	1,466	117	–	320	531	8,268
Charged to reserves	–	–	–	–	–	–	(1,813)	–	–	(1,813)
Effect of change in tax rate	–	–	–	–	–	–	5,252	–	–	5,252
Addition through acquisition of a subsidiary (Note 32(b))	11	–	–	–	–	–	–	–	(5,185)	(5,174)
At 31 December 2022 and 1 January 2023	164,237	30,728	(798)	976	26,062	457	(9,690)	(460)	(8,092)	203,420
(Charged)/credited to profit or loss (Note 7(a))	**(1,515)**	**21,577**	**(6,528)**	**6,072**	**296**	**(376)**	**-**	**(363)**	**1,357**	**20,520**
Credited to reserves	**-**	**-**	**-**	**-**	**-**	**-**	**915**	**-**	**-**	**915**
Reduction through disposal of subsidiaries	**2,988**	**(15,797)**	**(2)**	**488**	**-**	**-**	**-**	**251**	**-**	**(12,072)**
Addition through acquisition of a subsidiary (Note 32(a))	**-**	**913**	**-**	**-**	**-**	**-**	**-**		**(2,141)**	**(1,228)**
At 31 December 2023	**165,710**	**37,421**	**(7,328)**	**7,536**	**26,358**	**81**	**(8,775)**	**(572)**	**(8,876)**	**211,555**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

(c) Deferred tax assets and not recognized

At the end of the reporting period, the Group has unused tax losses of approximately RMB422,095,000 (2022: RMB508,221,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB624,000 (2022: RMB3,034,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB421,471,000 (2022: RMB505,187,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB421,471,000 (2022: RMB505,187,000) that will expire before 2033.

30. PROVISIONS

(a) The balance of provisions comprised:

	2023 RMB'000	2022 RMB'000 (Restated)
Reclamation obligations (Note (b))	226,340	225,124
Less: current provision	(86,612)	(86,322)
Non-current portion	139,728	138,802

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

	2023 RMB'000	2022 RMB'000
At 1 January	225,124	210,214
Increase in estimated cost	1,353	11,220
Utilisation	(5,140)	–
Reduction through disposal of a subsidiary (Note 33(a))	(1,589)	–
Interest expenses	6,592	3,690
At 31 December	226,340	225,124

The obligations for reclamation consist of estimated expenditures for retirement of its radioactive production facilities in accordance with the relevant rules and regulations in the PRC. The provision is therefore determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the disposal of the radioactive production facilities becomes apparent in future periods. At the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

30. PROVISIONS (CONTINUED)

(c) Long-term receivables

Long-term receivable mainly represents present value of a part of reclamation obligations which is due from CIAE according to the commitment agreement between a subsidiary of the Group and CIAE.

31. SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 31(c))	Capital reserve RMB'000 (Note 31(d)(i))	PRC statutory reserve RMB'000 (Note 31(d)(ii))	Fair value reserve (non-recycling) RMB'000 (Note 31(d)(iii))	Other reserve RMB'000 (Note 31(d)(iv))	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2022 (audited)	319,875	2,239,808	144,218	39,390	2,936	192,918	2,939,145
Changes in equity for 2022: (restated)							
Total comprehensive income for the year	–	–	–	15,523	–	115,972	131,495
Appropriation of maintenance and production funds	–	–	–	–	35	(35)	–
Utilisation of maintenance and production funds	–	–	–	–	(304)	304	–
Appropriation to reserves	–	–	11,727	–	–	(11,727)	–
Dividends (Note 31(b))	–	–	–	–	–	(120,881)	(120,881)
Balance at 31 December 2022 (restated)	319,875	2,239,808	155,945	54,913	2,667	176,551	2,949,759
Balance 1 January 2023 (audited and originally stated)	**319,875**	**2,239,808**	**155,945**	**54,913**	**2,667**	**176,491**	**2,949,699**
Change in accounting policy	**-**	**-**	**-**	**-**	**-**	**60**	**60**
Balance at 1 January 2023 (Restated)	**319,875**	**2,239,808**	**155,945**	**54,913**	**2,667**	**176,551**	**2,949,759**
Changes in equity for 2022:							
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**(5,185)**	**-**	**227,246**	**222,061**
Acquisition of a subsidiary	**-**	**(2,586)**	**-**	**-**	**-**	**-**	**(2,586)**
Disposal of a subsidiary	**-**	**-**	**(465)**			**(4,186)**	**(4,651)**
Appropriation of maintenance and production funds	**-**	**-**	**-**	**-**	**1,157**	**(1,157)**	**-**
Utilisation of maintenance and production funds	**-**	**-**	**-**	**-**	**(1,265)**	**1,265**	**-**
Appropriation to reserves	**-**	**-**	**4,457**	**-**	**-**	**(4,457)**	**-**
Dividends (Note 31(b))	**-**	**-**	**-**	**-**	**-**	**(140,969)**	**(140,969)**
Balance at 31 December 2023	**319,875**	**2,237,222**	**159,937**	**49,728**	**2,559**	**254,293**	**3,023,614**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

31. SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2023 RMB'000	2022 RMB'000
Final dividend proposed after the end of the reporting period of RMB31.31 cents per ordinary share (2022: RMB44.07 cents per ordinary share)	**100,153**	140,969

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

	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB44.07 cents per share (2022: RMB37.79 cents per share)	**140,969**	120,881

(c) Share capital

	No. of shares '000	RMB'000
Ordinary shares issued		
At the beginning of the financial period and the end of the financial period	**319,875**	319,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

31. SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents (i) the proceeds in excess of the par value upon shares issuance received by the Company; and (ii) the amount of carrying amount of the net assets of certain subsidiaries acquired in excess of the consideration paid by the Group, as a result of business combination under common control.

(ii) PRC statutory reserve

In accordance with the relevant PRC laws and regulations and the Company's articles of association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(h)).

(iv) Other reserve

Other reserve represents specific reserve for production and maintenance funds. Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates of relevant production outputs or revenue. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve back to retained profits.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an associate. The reserve is dealt with in accordance with the accounting policies as set out in Note 2(y).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

31. SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments for the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings) plus unaccrued proposed dividends. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the adjusted net debt-to-capital ratio at the lower level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted debt-to-capital ratio at 31 December 2023 and 2022 is as follows:

	Notes	**At 31 December 2023 RMB'000**	At 31 December 2022 RMB'000 (Restated)
Current liabilities:			
Interest-bearing borrowings	24(b)	**196,310**	37,196
Lease liabilities	27	**20,879**	28,520
		217,189	65,716
Non-current liabilities:			
Interest-bearing borrowings	24(a)	**1,447,011**	786,513
Lease liabilities	27	**31,322**	51,631
		1,478,333	838,144
Total debt		**1,695,522**	903,860
Add: proposed dividends	31(b)	**100,153**	140,969
Adjusted net debt		**1,795,675**	1,044,829
Total equity		**7,139,328**	6,609,608
Less: proposed dividends	31(b)	**100,153**	140,969
Adjusted capital		**7,039,175**	6,468,639
Adjusted net debt-to-capital ratio		**26%**	16%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

32. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of a subsidiary during the year ended 31 December 2023

Acquisition of 51% equity interest in Xi'an Zhanshi Testing& Engineering Co., Ltd.

In September 2023, the Group acquired 51% interest in 西安展實檢測工程有限公司 Xi'an Zhanshi Testing& Engineering Co., Ltd. *("Xi'an Zhanshi") from an independent party at a cash consideration of approximately RMB98,798,000. Xi'an Zhanshi is principally engaged in special equipment inspection and testing, safety production inspection and testing; safety evaluation business, surveying and mapping services.

The recognised fair values of the identifiable assets and liabilities of Xi'an Zhanshi as at the date of acquisition were set out as follows:

	Xi'an Zhanshi RMB'000
Property, plant and equipment	16,017
Intangible assets	7,700
Inventories	782
Trade and bill receivables	94,582
Prepayments, deposits and other receivables	4,732
Cash at bank and on hand	27,547
Trade payables	(24,449)
Accruals and other payables	(26,494)
Deferred tax liabilities	(1,228)
Bank loans	(5,000)
Total identifiable net assets at fair value	94,189
Less: non-controlling interests	(46,153)
	48,036
Satisfied by:	
Cash consideration	98,798
Goodwill	50,762

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

32. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of a subsidiary during the year ended 31 December 2023 (continued)

Acquisition of 51% equity interest in Xi'an Zhanshi Testing& Engineering Co., Ltd. (continued)

Net cash outflow on acquisition of Xi'an Zhanshi

	RMB'000
Cash consideration paid	98,798
Less: cash and cash equivalent balances acquired	(27,547)
	71,251

Since the acquisition, Xi'an Zhanshi contributed approximately RMB59,023,000 to the Group's revenue and approximately RM11,931,000 to the consolidated profit for the year ended 31 December 2023.

Had the business combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2023 would had been approximately RMB6,704,657,000 and approximately RMB782,314,000, respectively.

32. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of a subsidiary during the year ended 31 December 2022

In October 2022, the Group acquired 100% interest in 廣州原子高科醫藥科技有限公司 Guangzhou HTA Pharmaceutical Technology Co., Ltd.* ("Guangzhou HTA") (formerly known as Guangzhou Zhongda Zhongshan Medical Technology Development Co., Ltd (廣州中大中山醫科技開發有限公司) from an independent party at a cash consideration of approximately RMB59,093,000. Guangzhou HTA is principally engaged in technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion in medical industry.

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

	Guangzhou HTA **RMB'000**
Property, plant and equipment	122
Investment properties	27,611
Interest in associates	32,194
Deposits and other receivables	6
Prepayments	1
Cash at bank and on hand	4,749
Accruals and other payables	(268)
Income tax payable	(23)
Deferred tax liabilities	(5,174)
Total identifiable net assets at fair value	59,218
Satisfied by:	
Cash consideration	59,093
Gain on bargain purchase	(125)

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

32. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of a subsidiary during the year ended 31 December 2022 (continued)

Net cash outflow on acquisition of Guangzhou HTA

	RMB'000
Cash consideration paid in 2021	28,930
Cash consideration paid in 2022	30,163
Total cash consideration paid	59,093
Less: cash and cash equivalent balances acquired	(4,749)
Less: Cash consideration paid in 2021 and included in prepayment	(28,930)
	25,414

Since the acquisition, Guangzhou HTA contributed approximately RMB266,000 to the Group's revenue and loss for the year of approximately RMB119,000 to the consolidated profit for the year ended 31 December 2022.

Had the business combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2022 would had been approximately RMB6,154,971,000 and approximately RMB757,448,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

33. DISPOSAL OF A SUBSIDIARY

(a) Disposal of a subsidiary during the year ended 31 December 2023

During the year ended 31 December 2023, the Group entered into an equity transfer agreement with CNNC Health Investment Co., Ltd., a related party of the Group, for the disposal of entire equity interest in Beijing North Institute of Biotechnology Co., Ltd. ("BNIBT") and its subsidiaries, a direct wholly owned subsidiary of the Company, at a cash consideration of approximately RMB260,116,000. BNIBT was previously engaged into production and sale of bio-pharmaceuticals.

Consideration received:

	RMB'000
Total cash consideration received	260,116

Analysis of assets and liabilities over which control was lost:

	At 23 November 2023 RMB'000
Property, plant and equipment	91,714
Intangible assets	1,014
Deferred tax assets	12,307
Inventories	13,731
Trade and bill receivables	169,039
Prepayments, deposits and other receivables	21,092
Cash at bank and on hand (note)	41,685
Bank loans	(15,016)
Trade payables	(51,489)
Accruals and other payables	(157,289)
Income tax payable	(146)
Lease liabilities	(10,941)
Provisions	(1,589)
Defined benefit retirement obligation	(11,596)
Deferred tax liabilities	(249)
Net assets disposed of	102,267

Note: Restricted deposits of approximately RMB8,512,000 was included in cash at bank and on hand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

33. DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Disposal of a subsidiary during the year ended 31 December 2023 (continued)

Gain on disposal of the BNIBT:

	RMB'000
Consideration received and receivable	260,116
Net assets disposed of	(102,267)
Non-controlling interests	586
Gain on disposal (included in other income)	158,435

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	260,116
Less: cash and cash equivalents disposed of	(33,173)
	226,943

(b) Deemed disposal of a subsidiary during the year ended 31 December 2023

During the year ended 31 December 2023, the Group lost control of Shenzhen Relicare Medical Co., Ltd. ("Shenzhen Relicare") because the unanimous action agreement will no longer be executed. Shenzhen Relicare was previously engaged into production and sale of medical apparatus and instruments.

The assets and liabilities of Shenzhen Relicare were deconsolidated from the Group's consolidated statement of financial position and the interest in Shenzhen Relicare had been accounted for as an associate using equity method. The fair value of the 35% retained interest in Shenzhen Relicare at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Shenzhen Relicare as an associate. The net assets of Shenzhen Relicare at the date of disposal (27 December 2023) were as follows:

	RMB'000
Fair value of interest retained	9,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

33. DISPOSAL OF A SUBSIDIARY (CONTINUED)

(b) Deemed disposal of a subsidiary during the year ended 31 December 2023 (continued)

Analysis of assets and liabilities over which control was lost:

	At 27 December 2023 **RMB'000**
Property, plant and equipment	**3,524**
Intangible assets	**9,359**
Deferred tax assets	**14**
Inventories	**7,145**
Trade and bill receivables	**276**
Prepayments, deposits and other receivables	**1,795**
Cash at bank and on hand	**1,769**
Bank loans	**(2,997)**
Trade payables	**(1,251)**
Accruals and other payables	**(4,258)**
Net assets disposed of	**15,376**

Gain on deemed disposal of the Shenzhen Relicare:

	RMB'000
Net assets disposed of	(15,376)
Fair value of retained interest	9,006
Non-controlling interests	6,494
Gain on deemed disposal	124

Net cash outflow arising on disposal:

	RMB'000
Cash and cash equivalents of Shenzhen Relicare deemed disposal of	1,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost	6,937,236	6,559,096
Financial asset at FVTOCI:		
Bills receivables	15,550	19,174
Unquoted equity investments	156,394	162,494
	7,109,180	6,740,764
Financial liabilities		
Financial liabilities at amortised cost	5,066,546	4,049,308

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, long-term receivables, unquoted equity investments, cash at banks and on hand, trade payables, accruals and other payables, bank loans and other long-term payables.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk

Credit risk refers to the risk that the Group's counterparties default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bill receivables is limited because the counterparties are banks and financial institutions with sound credit standing, for which the Group considers to have low credit risk. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any material loss arising from non-performance by these counterparties.

Trade receivables and contract assets

The Group has established a credit management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the invoice date (or date of revenue recognition, if earlier). Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2% (2022: 1%) and 6% (2022: 4%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023:

	2023		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
With 1 year	**0.8%**	**3,361,476**	**(25,710)**
1 – 2 years	**6%**	**414,479**	**(25,479)**
2 – 3 years	**19%**	**142,914**	**(27,044)**
More than 3 years	**78%**	**162,128**	**(126,423)**
		4,080,997	**(204,656)**

	2022 (Restated)		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
With 1 year	0.8%	3,050,246	(23,394)
1 – 2 years	5%	407,311	(20,400)
2 – 3 years	20%	74,572	(14,811)
More than 3 years	85%	148,340	(126,771)
		3,680,469	(185,376)

The expected loss rates for contract assets aged within one year and over one year based on the recovery or settlement for contract assets pursuant to the terms of contracts are 0.93% (2022: 0.8%) and 12.95% (2022: nil) respectively.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
At 1 January	**185,376**	157,064
Amounts written off during the year	**(1,796)**	(619)
Impairment losses recognised during the year	**67,099**	28,931
Written off through disposal of a subsidiary	**(46,023)**	–
At 31 December	**204,656**	185,376

Movement in the loss allowance account in respect of contract assets during the year is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
At 1 January	**148**	–
Impairment losses recognised during the year	**1,317**	148
At 31 December	**1,465**	148

Deposits and other receivables

The directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

The 12m ECL on deposits and other receivables is considered as insignificant for the years ended 31 December 2023 and 2022 as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Deposits and other receivables (continued)

Movement in the loss allowance account in respect of deposits and other receivables during the year is as follows:

	2023	2022
	RMB'000	RMB'000
		(Restated)
At 1 January	**10,397**	8,135
Impairment losses recognised during the year	**4,137**	2,262
Written off through disposal of a subsidiary	**(1,369)**	–
At 31 December	**13,165**	10,397

Cash at bank and on hand

Credit risk on cash at bank and on hand is limited because the counterparties are reputable banks with good credit ratings assigned by international credit agencies. The Group assessed 12m ECL for cash at bank and on hand by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The 12m ECL on cash at bank and on hand is considered to be insignificant.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2023					
	On demand or within 1 year RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Lease liabilities (Note 27)	**22,928**	**17,649**	**12,860**	**2,783**	**56,220**	**52,201**
Bank loans (Note 24)	**245,373**	**197,317**	**925,403**	**501,700**	**1,869,793**	**1,643,321**
Trade payables (Note 25)	**626,668**	**–**	**–**	**–**	**626,668**	**626,668**
Accruals and other payables (Note 26)	**2,728,819**	**–**	**–**	**–**	**2,728,819**	**2,728,819**
Other long-term payables	**–**	**63,992**	**4,218**	**–**	**68,210**	**67,738**
Total	**3,623,788**	**278,958**	**942,481**	**504,483**	**5,349,710**	**5,118,747**

	At 31 December 2022 (Restated)					
	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Lease liabilities (Note 27)	32,013	21,419	25,740	10,464	89,636	80,151
Bank loans (Note 24)	42,709	–	655,632	245,243	943,584	823,709
Trade payables (Note 25)	494,102	–	–	–	494,102	494,102
Accruals and other payables (Note 26)	2,692,722	–	–	–	2,692,722	2,692,722
Other long-term payables	–	–	44,940	–	44,940	38,775
Total	3,261,546	21,419	726,312	255,707	4,264,984	4,129,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk

The Group is exposed to currency risk primarily through bank deposits denominated in foreign currency. i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars and United States dollars, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies	
	2023	2022
	RMB'000	RMB'000
		(Restated)
Cash and cash equivalents	**7,642**	11,011

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000 (Restated)
HK Dollars	**10%**	**166**	10%	486
	(10%)	**(166)**	(10%)	(486)
US Dollars	**10%**	**14**	10%	434
	(10%)	**(14)**	(10%)	(434)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(d) Fair values measurement

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

(i) Financial assets measured at fair value (continued)

	Fair value at 31 December 2023	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
Bill receivables	**15,550**	**–**	**15,550**	**–**
Unquoted equity investments	**156,394**	**–**	**–**	**156,394**
	171,944	**–**	**15,550**	**156,394**

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Bill receivables	19,174	–	19,174	–
Unquoted equity investments	162,494	–	–	162,494
	181,668	–	19,174	162,494

In 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

(i) Financial assets measured at fair value (continued)

The fair value of bill receivables was at a level 2 fair value measurement which has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Weighted average**
Unlisted equity instruments	Market comparable companies	Price-to-book ratio	1.07 to 1.23 (2022: 1.08 to 1.22)

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for price-to-book ratio. The fair value measurement is positively correlated to the price-to-book ratio. As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in price-to-book ratio ability by 5% (2022: 5%) would have decreased/increased the Group's other comprehensive income by approximately RMB17,830,000 (2022: RMB18,177,000).

The movements during the period in the balance of these Level 3 fair value measurements are as follow:

	2023 RMB'000	2022 RMB'000
Unlisted equity securities		
At 1 January	**162,494**	150,410
Net unrealised gains or losses recognised in other comprehensive income during the year	**(6,100)**	12,084
At 31 December	**156,394**	162,494

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes with amount of RMB5,185,000 (2022: RMB15,523,000) (net of tax) are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their values as at 31 December 2022 and 31 December 2023 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2023		2022	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000 (Restated)	Fair value RMB'000 (Restated)
Bank loans	**1,643,321**	**1,689,855**	823,709	903,158

The fair value of bank loans is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The interest rates used are as follows:

	2023	2022 (Restated)
Bank loans	**3.57%**	4.75%

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Bank loans raised at variable rates expose the Group to cash flow interest rate risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk (continued)

(i) Interest rate profile

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

	2023	2022
	RMB'000	RMB'000
		(Restated)
Net fixed rate liabilities:		
Lease liability (Note 27)	**52,201**	80,151
Bank loans (Note 24)	**1,133,559**	794,391
Other long-term payables (Note 26(c))	**5,999**	–
	1,191,759	874,542
Net floating rate liabilities:		
Bank loans (Note 24)	**509,762**	29,318
Total net liabilities	**1,701,521**	903,860

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis point in interest rates of net floating bank loans, with all other variables held constant, the Group's profit after tax would have decrease/increase by approximately RMB1,492,000 (2022: RMB1,186,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

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

The estimated 100 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next annual statement of financial position date. The analysis is performed on the same basis for 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

35. COMMITMENTS

Capital commitments

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

	2023 RMB'000	2022 RMB'000 (Restated)
Contracted for	**466,897**	504,012
Authorised but not contracted for	**139,775**	13,200
	606,672	517,212

36. MATERIAL RELATED PARTY TRANSACTIONS

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

The principal transactions which were carried out in the ordinary course of business are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Sale of goods to		
CNNC	**212**	9
Related parties under CNNC	**84,260**	101,435
Associates and joint ventures	**26,044**	25,230
Service provided to		
CNNC	**181**	–
Related parties under CNNC	**16,642**	5,967
Purchase of goods from		
Related parties under CNNC	**36,805**	21,634
Associates and joint ventures	**18,059**	12,277
Purchase of property, plant and equipment from		
Related parties under CNNC	**7,083**	12,231
Service provided by		
CNNC	**146**	2,330
Related parties under CNNC	**441,361**	191,079
Associates and joint ventures	**12,920**	1,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

36. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transaction with related parties (continued)

	2023 RMB'000	2022 RMB'000 (Restated)
Leases from		
Related parties under CNNC		
– right-of-use assets recognised during the year under IFRS16	2,456	16,376
– lease payments	34,218	41,615
Funding on researching and development project		
CNNC	27,472	8,052
Related parties under CNNC	408	2,590
Interest expenses		
CNNC	861	827
Related parties under CNNC	3,054	4,877
Granting of loans from CNNC Finance Company		
Related parties under CNNC	60,298	42,860
Net deposits placed with		
Related parties under CNNC	2,484,259	2,429,863
Interest income		
Related parties under CNNC	27,195	24,433
Dividend paid to		
CNNC	47,013	40,313
Related parties under CNNC	163,767	129,787
Dividend received from		
Related parties under CNNC	5,593	6,404
Capital investment in		
Associates and joint ventures	15,806	72,000

(b) Balances with related parties

Details of the outstanding balance with related parties are set out in Notes 21, 22, 23, 25 and 26.

36. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transaction with other government-related entities in the PRC

The Group is a state-owned entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "State-Owned Entities").

Since 2018, the Group had transactions with State-Owned Entities including, but not limited to, sales of goods, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these State-Owned Entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-Owned Entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the counterparties are State-Owned Entities. Having due regard to the substance of the relationship, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2023	2022
	RMB'000	RMB'000
Salaries and other emoluments	**3,456**	3,126
Retirement scheme contributions	**1,277**	852
Discretionary bonuses	**4,768**	4,193
	9,501	8,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		29,608	25,335
Investment property		57	62
Intangible assets		11,662	7,283
Investments in subsidiaries		1,812,439	1,863,274
Interests in associates		68,426	112,117
Interests in joint ventures		503,514	512,867
Unquoted equity investments		156,282	162,382
Deferred tax assets		9,973	19,568
Other non-current assets		7,239	7,238
		2,599,200	2,710,126
Current assets			
Inventories		161,238	103,278
Trade and bill receivables		434,446	295,916
Prepayments, deposits and other receivables		241,907	201,577
Amounts due from subsidiaries	(a)	341,119	268,224
Cash at bank and on hand		436,486	207,549
		1,615,196	1,076,544
Current liabilities			
Trade payables		34,616	69,265
Accruals and other payables		293,739	220,821
Lease liabilities		2,620	2,523
		330,975	292,609
Net current assets		1,284,221	783,935
Total assets less current liabilities		3,883,421	3,494,061

Note:

(a) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current liabilities			
Bank loans		827,064	500,000
Lease liabilities		6,172	8,794
Defined benefit retirement obligation		25,969	25,216
Deferred tax liabilities		–	9,690
Other long-term payables		602	602
		859,807	544,302
Net assets		3,023,614	2,949,759
Capital and reserves			
Share capital		319,875	319,875
Reserves	31(a)	2,703,739	2,629,884
Total equity		3,023,614	2,949,759

38. IMMEDIATE AND ULTIMATE HOLDING COMPANY

During the year ended 31 December 2023, CNNC gratuitously transferred all of the 106,676,903 domestic shares in the Company held by it, representing approximately 33.35% of the Company's total issued share capital, to China Baoyuan. Both of the China Baoyuan and the Company are under the control of and are, respectively, subsidiaries directly and indirectly held by CNNC. Upon completion of the transfer (26 December 2023), the China Bao yuan has became the immediate holding company of the Company, while CNNC will remain the Company's ultimate holding company.

As at 31 December 2022, the directors of the Company consider the immediate and ultimate holding company of the Group to be CNNC, which is a state-owned enterprise established in the PRC. CNNC does not produce financial statements available for public use.

39. EVENT AFTER THE REPORTING PERIOD

On 26 March 2024, the board of directors of the Company resolved to propose to issue bonds by the Company, in accordance with requirements of the relevant laws, regulations and regulatory documents, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for the issue and trading of Bonds. Details are set out in the Company's announcement dated on 26 March 2024.

FIVE YEAR SUMMARY

	Note	**2023**	2022 (Restated)	2021 (Restated)	2020	2019
Results revenue	4	**6,634,992**	6,153,549	5,152,760	4,274,183	3,988,904
Profit from operations		**941,598**	913,963	779,077	614,775	720,594
Finance costs	6	**(36,142)**	(35,336)	36,691	(34,977)	(18,758)
Share of profits less losses of associates		**(14,303)**	8,618	6,962	(12,028)	2,141
Share of profits of joint ventures		**31,284**	33,548	53,698	28,393	29,830
Profit before taxation	6	**922,437**	920,793	803,046	596,163	733,807
Income tax	7	**(146,307)**	(165,556)	(129,641)	(120,640)	(108,882)
Profit for the year		**776,130**	755,237	673,405	475,523	624,925
Attributable to:						
Equity shareholders of the Company		**370,967**	392,275	336,119	213,582	329,030
Non-controlling interests		**405,163**	362,962	337,286	261,941	295,895
Profit for the year		**776,130**	755,237	673,405	475,523	624,925
Assets and liabilities						
Property, plant and equipment	12	**3,601,172**	2,939,823	2,563,279	2,210,150	1,987,037
Investment property	13	**46,053**	49,604	19,670	20,768	22,425
Intangible assets		**212,117**	160,876	156,496	148,363	108,382
Goodwill	18	**81,526**	30,764	44,036	43,875	43,875
Interests in associates	16	**119,599**	118,096	52,500	65,263	61,543
Interests in joint ventures	17	**503,514**	512,867	594,252	552,748	529,396
Long-term receivables		**49,196**	38,997	37,176	35,440	33,784
Unquoted equity investments	19	**156,394**	162,494	150,410	137,014	151,492
Other non-current assets		**7,239**	9,899	35,255	–	–
Deferred tax assets	29	**220,431**	222,460	215,124	200,556	265,045
Net current assets		**3,940,548**	3,512,430	2,642,124	2,998,946	2,711,220
Total assets less current liabilities		**8,937,789**	7,758,310	6,510,322	6,413,123	5,914,199
Deferred tax liabilities	29	**(8,876)**	(19,040)	(18,237)	(14,186)	(18,383)
Other non-current liabilities		**(1,789,585)**	(1,129,662)	(458,045)	(893,327)	(892,383)
NET ASSETS		**7,139,328**	6,609,608	6,034,040	5,505,610	5,003,433

FIVE YEAR SUMMARY (CONTINUED)

	Note	2023	2022 (Restated)	2021 (Restated)	2020	2019
Capital and reserves						
Share capital	31	**319,875**	319,875	319,875	319,875	319,875
Reserves	31	**4,373,445**	4,148,784	3,862,117	3,571,323	3,439,471
Total equity attributable to equity shareholders of the Company		**4,693,320**	4,468,659	4,181,992	3,891,198	3,759,346
Non-controlling interests		**2,446,008**	2,140,949	1,852,048	1,614,412	1,244,087
TOTAL EQUITY		**7,139,328**	6,609,608	6,034,040	5,505,610	5,003,433
Earnings per share						
Basic and diluted (RMB)		**1.16**	1.23	1.05	0.67	1.03

Notes to the five year summary

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

2 The Group previously applied IAS 12 requirements to the relevant assets and liabilities arising from a single transaction as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments to IAS 12, the Group has assessed the relevant deferred tax assets and deferred tax liabilities for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities separately. The Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022.

3 As a result of the business combination under common control in 2023, figures for the years from 2021 to 2022 have been restated for comparison purposes.

DEFINITIONS

"404 Company"	CNNC 404 Company Limited
"AGM"	the annual general meeting of the Company
"Articles of Association"	the Articles of Association of China Isotope & Radiation Corporation
"Audit and Risk Management Committee"	audit and risk management committee of the Board
"Board of Supervisors"	the Board of Supervisors of the Company
"Board" or "Board of Directors"	the Board of Directors of the Company
"China Baoyuan"	China Baoyuan Investment Co., Ltd.
"China" or "PRC"	the People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"CIAE"	China Institute of Atomic Energy
"CIRC", "Company", "our Company", "we" or "us"	China Isotope & Radiation Corporation, a joint stock company incorporated in the PRC with limited liability
"CNGT"	Chengdu Gaotong Isotope Co., Ltd. (CNNC)
"CNNC"	China National Nuclear Corporation
"CNNC Fund"	Beijing CNNC Industry Investment Fund (LLP)
"CNNC Tongxing"	CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd.
"Company Law"	the Company Law of the People's Republic of China
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company
"EPC"	engineering, procurement and construction
"Group" or "our Group"	the Company and its subsidiaries from time to time
"Headway"	Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.
"H Share(s)"	Overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange

DEFINITIONS (CONTINUED)

"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"HTA"	HTA Co., Ltd.
"Latest Practicable Date"	23 April 2024
"Legal Affairs Committee"	legal affairs committee of the Board
"Listing Date"	6 July 2018, being the date on which the H Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"Nomination Committee"	nomination committee of the Board
"NPIC"	Nuclear Power Institute of China
"PBOC"	People's Bank of China
"Prospectus"	the prospectus of the Company dated 22 June 2018
"Remuneration and Appraisal Committee"	remuneration and appraisal committee of the Board
"Reporting Period"	the financial year ended 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Rounding"	In this report, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding
"Science and Technology Innovation Committee"	science and technology innovation committee of the Board

DEFINITIONS (CONTINUED)

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Shenzhen CICAM"	Shenzhen CICAM Manufacturing Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	strategy committee of the Board
"Supervisor(s)"	supervisor(s) of our Company
"Yunke Pharm"	Chengdu Yunke Pharmaceutical Co., Ltd.
"%"	per cent

中核集团
CNNC

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